

COMPREHENSIVE ANNUAL FINANCIAL REPORT

COUNTY OF MILWAUKEE

WISCONSIN

FOR THE YEAR ENDED DECEMBER 31, 2004

Prepared by:

Department of Administrative Services

Fiscal Affairs Division



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**COUNTY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2004**

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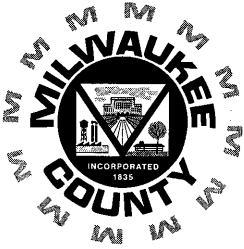
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INTRODUCTORY SECTION

- **Letter of Transmittal**
- **Certificate of Achievement for Excellence in Financial Reporting**
- **Organizational Chart**
- **List of Elected and Appointed Officials**



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MILWAUKEE COUNTY EXECUTIVE SCOTT WALKER

Department of Administrative Services

Linda Seemeyer, Director

June 30, 2005

To: Honorable Members of the Milwaukee County
Board of Supervisors and the Citizens of
Milwaukee County, Wisconsin

A) COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):

CAFR Overview

The Comprehensive Annual Financial Report (CAFR) of Milwaukee County, Wisconsin (the County) for the year ended December 31, 2004 is hereby submitted for your information. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of Milwaukee County, Wisconsin. All disclosures necessary to enable the reader to gain an understanding of Milwaukee County, Wisconsin activities have been included.

The CAFR is presented in three sections:

The **Introductory Section**, which is unaudited, includes this letter of transmittal, the prior year's Certificate of Achievement for Excellence in Financial Reporting, the County's organization chart, and a list of the County's principal elected and appointed officials. It is designed to give the reader of the financial report some basic background information about the County.

The **Financial Section** includes the independent auditors' report on the basic financial statements, management's discussion & analysis, the basic financial statements, required supplementary information, and the other supplementary information including the combining and individual fund financial statements and schedules. See a discussion below of the components of the Financial Section.

The **Statistical Section**, which is unaudited, includes selected financial and demographic information generally presented on a multi-year basis.

Governmental Accounting Standards Board Statement No. 34 Overview

The County has prepared the Financial Section to meet the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). The Financial Section and the financial statements included in this section are significantly different from the financial statements prepared by the County for 2001 and previous fiscal years. GASB 34 establishes a new reporting model that the County has reported in three parts in the Financial Section. The fourth part is not required by GASB 34 but provides useful information about the non-major funds of Milwaukee County.

- 1) **Management's Discussion and Analysis** - This is a narrative report providing financial information about the County. Readers of this report are encouraged to read Management's Discussion and Analysis (MD&A), in conjunction with this Letter of Transmittal. The MD&A provides basic financial information about the County and an overview of the County's activities.
- 2) **Basic Financial Statements**
 - a) **Government-Wide Financial Statements** - government-wide financial statements, consisting of a statement of net assets and a statement of activities, provide a comprehensive financial picture of the County, split between governmental activities and business-type activities. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, where all assets, liabilities, revenues, and expenses of the County are reported. Internal service funds are combined with governmental activities for presentation purposes.
 - b) **Fund Financial Statements** - which report on the major individual governmental, proprietary, and fiduciary funds of the County. Budgetary comparisons are also provided to allow the reader to see the original adopted budget, the revised adopted budget, and the actual expenditures for the County's general fund. The governmental funds are prepared and presented on the modified accrual basis of accounting. The proprietary funds are prepared on an accrual basis of accounting. Due to the different basis of accounting for governmental funds between the Government-wide Financial Statements and the Fund Financial Statements, a schedule is also provided that reconciles the governmental activities statement of net assets and the governmental funds statement of revenues,

expenditures and changes in fund balances. The proprietary funds statement reports each of the enterprise funds and includes a separate column that combines all internal service funds.

- c) **Notes to the Financial Statements** - includes the explanatory notes to the financial statements as required by governmental accounting standards.
- 3) **Required Supplementary Information** - presents certain required supplementary data immediately after the notes to the financial statements.
- 4) **Other Supplementary Information** - identified as the Other Supplementary Information – Combining and Individual Fund Statements and Schedules. This section will show the combining statements for the non-major governmental funds, the internal service funds, as well as budgetary comparisons for major funds other than the General Fund. As noted earlier, the internal service funds were combined and reported as a separate column in the proprietary fund financial statements. They are reported here because they are not considered to be major funds.

Component Units

This Comprehensive Annual Financial Report (CAFR) includes the funds of the primary government and the following discrete component units: the War Memorial Center, the Milwaukee Public Museum, Inc., the Milwaukee County Research Park Corporation, and the Private Industry Council of Milwaukee County. Discretely presented component units are more distinctly separate from the primary government and are therefore reported in a separate column in the government-wide financial statements. These entities were included because generally accepted accounting principles require that organizations for which the County is financially accountable be reported with the primary government (the County) as the reporting entity.

B) GOVERNMENTAL STRUCTURE AND TYPES OF SERVICES

Milwaukee County is located in southeastern Wisconsin on the Lake Michigan shoreline. The County covers an area of approximately 242 square miles and consists of ten cities and nine villages. The Michigan Territorial Government incorporated Milwaukee County in 1835. In 1837 the Wisconsin Territorial Legislature divided Milwaukee County. Nine years later the County was divided again into its present size.

Milwaukee County was the first county in the State to establish an executive branch. A County Executive and a 19-member Board of Supervisors govern Milwaukee County. The County Executive and the County Supervisors are elected to nonpartisan four-year terms. Each Supervisor is elected from a district with an average population

of approximately 50,000. In addition, six constitutional officers are elected to serve two-year terms on a partisan basis. The Sheriff is elected to serve a four-year term on a partisan basis.

The County Board determines County policy and directs the activities of County government by the adoption of ordinances and resolutions, under authority vested in it by State Statutes. At its annual meeting in November of each year, the Board adopts the next calendar year's budget. It meets on a monthly basis to transact official business, and its committees meet regularly during the monthly cycles to hold hearings, gather information and take testimony preparatory to making recommendations to the full County Board.

The County operates two airports, a mass transit system, a behavioral health facility, a correctional facility, a sheriff's department, a civil and criminal court system, a zoo, a botanical garden, a nature center, several marinas, a modest number of golf courses and swimming pools, beaches, bike trails, and park areas.

The County also administers Federal and State aided public assistance. Other activities include employment and training services, legal counsel services for the indigent, community health care programs, emergency medical services, medical service funding for the indigent, correctional programs and counseling and residential programs for the mentally ill, disabled, and chemically dependent. The County also offers a number of general government services. The County is also responsible for the maintenance and construction of highways, roads, and bridges.

C) ECONOMIC CONDITION AND OUTLOOK

Milwaukee County serves as the population, economic and financial center of the State. The City of Milwaukee, which acts as the County seat, contains approximately 63 percent of the County's population and 46 percent of its taxable property value.

Milwaukee County's location on the Great Lakes, near the nation's geographic and population centers, provides many logistical advantages. The County has a well-developed arterial street and highway system, including four interstate highways, three major U.S. highways and 17 state highways. Freight service is provided to other metropolitan areas by numerous trucking establishments and two major railroads. In addition to the rail freight service provided by the Union Pacific and Canadian Pacific /Soo Line railroads, passenger rail service is available from Amtrak. National and inter-city bus lines also serve Milwaukee. Milwaukee also remains a major Great Lakes and world port. During 2004, the Port of Milwaukee handled 2.9 million metric tons of cargo. Major commodities included in this tonnage were coal, salt, grain and cement.

One of Milwaukee's strengths is a highly diversified economic system. Although the County remains a major manufacturing center, other sectors of the economy have become increasingly important. The finance, insurance and real estate trade,

electrical, electronic machines and equipment sectors have shown consistent growth. Milwaukee also ranks as one of the nation's leading centers for advertising, printing, publishing and graphic arts and is home to one of the country's major breweries. The newest industry in Milwaukee is electronic commerce. Milwaukee has become one of the nation's centers for financial transaction processing. In fact, Milwaukee area manufacturing firms are innovative leaders in a variety of dynamic markets, including energy management and robotic and medical imaging equipment. The County leads the nation in the production of industrial controls, x-ray apparatus, steel foundries, mining machinery, hoists, industrial cranes, monorails, speed changers and drives and gears. Food and paper products are also produced in significant quantities.

Milwaukee area businesses seemed more tempered in their optimism toward 2005's first quarter business activity according to the first quarter 2005 business outlook survey conducted by the Metropolitan Milwaukee Association of Commerce (MMAC). Based on a survey of 128 Milwaukee area firms, eighty-four percent of businesses surveyed see sales increases in 2005, seventy percent predict profit gains, and fifty-seven percent expect employment growth for their local operations. Only five percent predict sales declines, while the remainder (twelve percent), see no change. Among manufacturers, eighty-six percent predict sale growth in 2005, vs. eighty-three percent among non-manufacturers. Eighty-six percent of small employers see sales increases vs. eighty-one percent for large companies. Quarterly employment expectations are the strongest they have been in more than six years. Fifty-six percent of all businesses surveyed predicted first-quarter job gains for their local operations; only thirteen percent predict job declines, while thirty-one percent see no change. Manufacturers expressed a higher degree of confidence toward first-quarter employment gains than non-manufacturers with sixty-three percent of manufacturers seeing employment increases in the first-quarter 2005 vs. fifty-four percent among non-manufacturers. Sixty-six percent of small employers predicted first quarter job gains while only forty-eight percent of large employers predicted first quarter job gains.

The average annual unemployment rate for Milwaukee County through August 2004 was 6.4 percent compared to a national average rate of 5.5 percent. This is the first year since 1999 that the County experienced a decrease in the unemployment. The last four years posted increases in the rate.

According to the Wisconsin Department of Administration, Milwaukee County's estimated population for 2004 is 939,358, which is a 0.21 percent decrease from the 2003 population estimate.

Milwaukee County is home for a number of colleges and universities, including Alverno College, Cardinal Stritch College, Marquette University, the Medical College of Wisconsin, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee, and Wisconsin Lutheran College.

D) MAJOR INITIATIVES BY CLASSIFICATION

Following is a brief description of the departments and major initiatives for the classifications within both the Governmental Activities and Business-type Activities of the Statement of Activities.

Governmental Activities

- 1) **Legislative, Executive, and Staff** consists of the following areas, the County Board and Department of Audit, the County Executive, the Department of Administrative Services, Housing and Economic Development, Disadvantaged Business Development, Persons with Disabilities, Veterans Services, the Civil Service Commission, the Personnel Review Board, Human Resources, Procurement and Corporation Counsel. The internal service funds of Risk Management and Information Management Services are also under the Department of Administrative Services for management purposes. These funds are consolidated into the governmental activities in the Government-wide Financial Statements and are included in the proprietary funds in the Fund Financial Statements.
- 2) **Courts and Judiciary** the County Funded State Court Services Division includes 47 judges and 25 court commissioners. It is the first administrative district of the State Court System. The legal extension of the Family Court Branch is the Family Court Commissioner Division. This area handles marriages and family related matters. The Register in Probate Division maintains the records and files of all probate proceedings. The Clerk of Circuit Courts maintains the records, books and files of the courts. State and non-tax revenues support approximately 27.8 percent of the cost of the Courts function. The balance of the costs is funded with County tax levy dollars. The Department of Child Support Enforcement provides services to locate parents, establishes paternity, enforces and establishes child support and medical support orders all under Title IV-D of the Social Security Act.
- 3) **General Governmental Services** consists of the separately elected positions of the County Treasurer, Register of Deeds, and County Clerk and their associated staff and related costs. The Election Commission is also included in this category.
- 4) **Public Safety** consists of the Sheriff's Department, District Attorney, Medical Examiner and House of Correction. The Sheriff is a separately elected position within Milwaukee County. In 2004, the budgets for the Sheriff's Department and the House of Correction continue an inmate population control "cap proposal" for the Milwaukee County detention population. The "cap proposal" attempts to cap the population at the Criminal Justice Facility, which has a higher cost per inmate and transfer any overflow to the House of Correction, which is able to open and close

sleeping/housing units on a more flexible basis. The Sheriff continues to address enhanced security needs at the Airport. The Airlines in compliance with the long-term lease agreement provides for the reimbursement of all Airport costs, including increased security costs.

- 5) **Public Works and Highways** in the General Fund consists of the Highway Division and Administrative Divisions.

The Public Works Fleet Management; Architectural, Engineering and Environmental Services; Transportation; and Facilities Management Divisions are part of the Internal Services Funds of the County. These funds are consolidated into the governmental activities in the Government-wide Financial Statements and are included in the proprietary funds in the Fund Financial Statements. In the 2004 budget, all of the public works areas along with the Parks Department will be consolidated under a new Department of Parks and Public Infrastructure (DPPI). The new DPPI was intended to consolidate like services provided by the various divisions, provide greater customer service, while reducing the County's overall costs for these services.

- 6) **Human Services** consists of the Department on Aging, Department of Health and Human Services (DHHS) and the DHHS - County Health Related Programs.

The Department on Aging, which provides services to older adults in the County, completed the implementation of the State of Wisconsin's Family Care Pilot. Under Family Care, the Department on Aging, as the Care Management Organization (CMO), coordinates all long term care services for eligible elders, including home and community based services and institutional services. Since 2000, this has required a change in staffing and client services to provide a one-stop service for long-term care, as opposed to the many funding sources and programs that were previously used to support elders in long-term care.

The majority of the CMO Program revenue is a capitated payment from the State. Forty percent of client service costs of the CMO is controlled by Medicaid rate rules, while the remaining 60%, which is not covered by Medicaid rates, is based on set rates established by the department or on contracts with providers. At the end of 2004, the program had approximately 5,500 clients.

The Department of Human Services provides a wide range of services to children and adults through age 60. The department includes the Economic Support Division that assists people in obtaining food stamps, medical assistance under Title 19 and child day care benefits. The Delinquency and Court Services Division administers a Juvenile Detention Center and the

post-dispositional placement resources for adjudicated delinquents. This division has been working on alternative methods of incarceration for adjudicated youths, including a wrap-around program. This reduces corrections costs and provides a better opportunity for at-risk youth. The Disabilities Service Division provides assistance to adults with special needs including persons with physical and developmental disabilities. Changes were made to create a resource center format similar to the Family Care program in the Department of Aging to better serve these clients. The Management Services Division provides contract administration, accounting and business support to the other divisions.

The County Health Related Programs (CHRP) was transferred from the Department of Administrative Services to the Department of Health and Human Services for 2003. CHRP continues to administer the Countywide Emergency Medical Services (EMS) paramedic program and General Assistance Medical Program (GAMP). EMS is responsible for managing all EMS-related functions. GAMP is the County's health care financing/delivery system for medically indigent persons residing within Milwaukee County. Total medical service expenditures for GAMP are reduced by \$ 1 million to \$ 45.2 million. The 2004 Budget reduces the amount of revenue anticipated from the \$ 35 administrative fee collected from all applicants who demonstrate an ability to pay; the fee is waived for homeless individuals. This fee was established in the 2003 budget and is reduced by \$ 200 from \$ 980 to \$ 780 in 2004.

- 7) **Parks, Recreation and Culture** includes the Parks Department, Zoological Department, Milwaukee County UW-Extension and funding for the Milwaukee Public Museum. The Parks Department administers and operates the Milwaukee County Park System that spans 14,938 acres and encompasses 150 parks and parkways. The Parks include 14 golf courses, pools, beaches, pavilions, marinas, and athletic fields. Due to fiscal constraints the Parks Department closed four greenhouses, several pools plus reduced lifeguard staffing at several beaches. The Department of Parks and Public Infrastructure (DPPI) was created in 2004 to consolidate the previous Parks Department and the Department of Public Works. The consolidation of these two departments is to allow for greater flexibility in providing services, sharing maintenance and use of equipment, and improving response time. In addition DPPI will eliminate the duplication of functions and services and will reduce significant layers of management. The DPPI has two divisions: Parks and Transportation.

In 1999, the County Board adopted a five year fiscal plan for the Zoo to help it maintain its existing identity plus provide for future capital improvements. Year five of the capital improvements plan started in 2004. Various other capital projects to improve facilities also continued.

Business-type Activities:

- 1) The **Airport** is an enterprise fund that is classified as a business-type activity in the Government-wide financial statements. Milwaukee County operates two airports: General Mitchell International Airport (GMIA) and Lawrence J. Timmerman Airport. User fees support both of these airports. Airport administrative, maintenance and operational expenses are guaranteed through contractual agreements with the major carriers serving GMIA. Growth in flights and passenger traffic from GMIA, over a number of years, led to the need for additional parking at the Airport. Milwaukee County issued \$ 83.6 million of revenue bonds in 2000 for the building of an addition to the existing parking structure. This addition would provide an additional 3000 parking spaces. These were the first revenue bonds issued by the County. The parking revenues were estimated to be sufficient to pay the bonds, but were also supported by the signatory airline lease agreements. An additional \$ 7.1 million of revenue bonds were issued in early 2003 to complete the building of the parking structure. In 2004 the County issued \$ 37.3 million in revenue bonds to fund the improvements to the C and D concourses, finish the parking structure, repair the Bus/Limousine Queue area and remodel the E concourse stem.

Major security enhancements will continue at GMIA for the foreseeable future due to the September 11, 2001 terrorist attacks in the United States. The 2004 budget totals \$ 6.7 million for Sheriff services for the cost of security, contractual security services for various points on the property and towing of unauthorized vehicles from the property.

- 2) The **Milwaukee County Transit/Paratransit System** is an enterprise fund activity that is managed by Milwaukee Transport Services, Inc.; a private, non-profit corporation. For the Transit System, the corporation uses facilities and equipment owned and provided by the County to transport passengers by bus to various locations within the County. The Paratransit system is also operated by Milwaukee Transport Services to provide transportation, using private vendors, for passengers who meet the paratransit eligibility requirements. DPPI oversees and administers federal and state grants for the transit system. DPPI- Transportation assists with the acquisition of capital equipment and facilities. In 2004, transit passenger revenue increases \$ 2.8 million, primarily due to 2004 fare increases offset by service cuts. The 2004 bus hours operated is projected to decrease by 61,365 hours or 4.1% due to service cuts. The adult cash fare increased to \$ 1.75 in 2004 from \$ 1.50 in 2003. Transit operating expenses are estimated to increase \$ 3.8 million primarily due to increases in health insurance and pension costs. Paratransit Services passenger fares increase \$ 0.25 from \$ 3.00 to \$ 3.25 per one-way trip. Total passenger trips are estimated to be 1,131,950 in 2004.

- 3) The Department of Human Services - **Behavioral Health Division (BHD)** is also an enterprise fund. BHD provides services to mentally ill and developmentally disabled patients on an inpatient basis and administers a community-based service for children and adults who have mental illness.

Other Activities and Issues

- 1) **Benefit Issues** In response to the concerns raised about the increased level of benefits that were granted to employees and elected officials, the County Board voted in February, 2002 to change certain benefits. This included the level of payout at retirement for earned sick leave benefits. Prior to the change in February 2002, all employees were entitled to full payout at retirement of earned sick leave benefits. In February 2002 the County changed the "earned retirement benefits" for non-represented employees by reverting to the previous pay out maximum of 400 hours plus 16 hours for each additional 100 hours or part thereof. Union contracts could not be reopened so the change only effected non-represented positions.

For 2004, a new non-departmental budget was created to centrally budget the cost of the retirement sick allowance payment. During 2004, a fund transfer was submitted distributing the proper amounts to departments.

During the year ended December 31, 2004, 727 employees retired from the County work force as a result of the retiree benefits granted in 2001 and 2002. The sick leave payouts for these employees were project to be approximately \$ 14.0 million.

We reported during 2002 that the County faced several lawsuits by non-represented employees in order to reinstate their benefits. Lawsuits were also filed by other employee groups and by retirees during 2002 in order to either protect their interest in benefits or be accorded some of the same benefits. One lawsuit was filed to reinstate wage increases for non-represented employees; however, the trial court granted the County's motion for summary judgment and dismissed this lawsuit. However, an appeal on this matter may be pursued.

E) FINANCIAL INFORMATION

Internal Accounting Controls

County management is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance

recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Milwaukee County's internal control structure is supported by written policies and procedures and is continually reviewed, evaluated and modified to meet current needs. This internal control structure is strengthened by the Milwaukee County Department of Audit. Under Milwaukee County Ordinances and Wisconsin Statutes, the Department of Audit is an extension of the legislative branch of Milwaukee County and provides the County Board of Supervisors with constant overview and independent review of County operations. The Department of Audit is responsible not only for the examination of financial statements but also for reviews of internal accounting, administrative controls, compliance with applicable laws and regulations, economic efficiency of operations, and effectiveness in achieving program results. The Department of Audit's audits are performed in accordance with generally accepted government auditing standards.

Budgetary Process

Milwaukee County has an executive budget process for the preparation of the annual operating and capital budgets. The Fiscal Affairs Division of the Department of Administrative Services provides the technical assistance required by the County Executive to review budget requests submitted by County departments and agencies. The Fiscal Affairs Division complies these requests, along with principal and interest requirements, capital improvements, contingency requirements and the required tax levy. It reviews areas where changes may be considered and transmits its findings to the County Executive. The County Executive holds public hearings with respect to the requests, meets with departments and submits a recommended budget to the County Board on or before October 1st of each year. Subsequent to the receipt of the budget by the County Board, the County Board's Finance and Audit Committee reviews the County Executive's budget at public meetings. On the Monday following its regularly scheduled meeting on the first Tuesday in November, the County Board acts on the amendments and recommendations submitted by the Finance and Audit Committee, as well as amendments submitted by individual Board members. It adopts a final budget, subject to any vetoes by the County Executive, and levies taxes based upon equalized property values.

Budgetary Controls

Budgetary control is maintained by a formal appropriation and encumbrance system. Encumbrances are made against appropriations prior to the release of a purchase order to a vendor, or prior to the issuance of a check when a liability is incurred without a purchase order. Liabilities that exceed appropriation balances are not paid until an increased appropriation is made available.

During the year, departments may request transfers of appropriated dollars between departments or from an unallocated contingency budget. Any transfer requires the approval of the County Board and County Executive. If a transfer is to be made only within the department, approval of the transfer may not require County Board and County Executive approval.

Encumbered appropriations are carried forward at the end of the year by means of encumbrance reserves. These reserves are restored to departmental appropriation accounts in the following year. Expenditures are then recorded when the services or materials are received.

At the end of the year, any unencumbered appropriations and the associated unrecorded revenue that is still available for capital projects may be "carried over" to the subsequent year. A report of unappropriated budget dollars and unrecorded revenues are reported to the County Board by capital project number. The County Board and County Executive will then review the report and make any modifications to "capital carry-over" requests for capital projects. The result will be the establishment of a carryover reserve for capital projects. Similar to encumbrance reserves, these reserves are restored to the departmental appropriation account and revenue budget in the following year.

County Tax Rate Limit

Section 59.605 of the Wisconsin Statutes imposed a property tax rate limit on Wisconsin counties, effective August 12, 1993. Separate limits were imposed for operating levy rates and debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual levy rate adopted for the 1993 budget. Reductions in state-shared revenues and transportation aid are among the penalties established by state statutes for failing to meet the operating and debt service limit requirements.

The property tax rate established for general County operating purposes and special administrative levies as part of the 1993 adopted budget was approximately \$4.08 per \$1,000 of equalized value. The only conditions under which the maximum rate may be increased are if services are transferred between governmental units (transfers to other governmental units reduce the maximum rate) or if a referendum is approved by a majority of local electors to allow the maximum rate to be increased. For 2004, the operating tax rate was approximately \$ 4.02 per \$ 1,000 of equalized value.

The County adopted a debt levy rate of approximately \$ 1.42 per \$ 1,000 of equalized value as part of the 1993 budget. The conditions under which the debt service rate may be increased include: 1) a referendum is held that approves the debt issuance; 2) the county board of supervisors adopts a resolution that sets forth its reasonable expectation that the issuance of the debt will not cause the County to increase the debt levy rate; 3) the issuance of the debt was authorized by an initial resolution adopted prior to the effective date of the rate limit; 4) the debt is issued for certain specified purposes, including financing regional projects under Section 67.05 (7)(f); 5)

the debt is issued to fund or refund outstanding municipal obligations; or 6) the County Board of Supervisors adopts an initial resolution authorizing the issuance of the debt by a vote of at least three-fourths of the members-elect of the County Board. In conformance with the conditions outlined above, the County levied a debt levy rate of \$.73 per \$ 1,000 of equalized value for the 2004 budget.

The rate limit also prohibits borrowing for "operating expenses". The statute defines "operating expenses" as "wages, salaries, fringe benefits, materials, supplies, contractual services, equipment with a useful life of less than one year and other costs specified by the Department of Revenue by rule".

Debt Administration

The County Board and County Executive monitor all anticipated borrowing plans of the County on a continuing basis. In 1994, Milwaukee County revised existing policies and established new policies that directly and indirectly affected its borrowing practices. Some of the changes included the development of guidelines for maximum debt burdens, modifications to the procedures for accepting competitive bids and the maximum length of maturity.

Wisconsin Statutes limit the County's direct general obligation borrowing to an amount equivalent to 5% of the equalized valuation of taxable property. At December 31, 2004, the County had \$488.9 million of general obligation debt compared to a debt limit of \$2,557 million, or a debt as a percent of the limit of 19.12%. The equalized value of property was \$51,153 million as of that same date.

Approximately 80.6 percent of the County purpose obligations will be retired within ten years. The amount includes the general obligation bonds issued by the County on behalf of the airports because this debt is general obligation debt of the County. County purpose obligations do not include revenue bonds issued by the County with respect to the airports. As of December 31, 2004, approximately \$ 148.6 million or 24.6 percent of the County's outstanding debt is for the airports. Pursuant to the lease agreements with the airlines, signatory airlines are obligated to pay all principal and accrued interest payments on debt issued on behalf of the airports.

Milwaukee County has maintained its ratings from Fitch IBCA, Moody's Investors Service, and Standard & Poor's Corporation on general obligation bond issues. Any explanations of the significance of ratings may be obtained from the rating agencies.

Fitch IBCA
AA

Moody's Investors Service
Aa3

Standard & Poor's
AA

In September 2003, the County authorized, but did not issue, general obligation promissory notes in the principal amount of \$14.22 million pursuant to the Credit Assistance agreement with a local company. These promissory notes would be

issued in the event that the company defaults on Industrial Revenue Bonds issued within the last ten years to construct maintenance facilities for the company. In return for the credit assistance, the County obtained a mortgage on these maintenance facilities and \$4.9 million of debt reserves. Community Development Block Grant funds for economic development, from the State of Wisconsin, provided \$4.0 million of the reserve funds.

In 2004, the County provided a guarantee totaling \$ 1.0 of the \$ 3.2 million loan of a non-profit corporation, for the purchase of a building.

On February 1, 2004, the County issued \$26.95 million of General Obligation Corporate Purpose Bonds. These bonds were used for various capital improvement projects of the County including highways and bridges, parks improvements, building improvements and the replacement of buses and other vehicles.

Cash Management and Investment Policies

Milwaukee County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The County may purchase investment securities at prevailing market rates as allowed by Wisconsin State Statutes (S.66.0603(1m)) and Milwaukee County Ordinance. To the extent possible, the County attempts to match its investments with anticipated cash flow requirements. In the absence of individual security maturity limitations specified in the State Statutes, the County does not directly invest in securities maturing more than ten years from the date of purchase. County policy requires that direct investment in public depository securities is further limited to a maximum investment, per institution of \$500,000 at one time, unless an acceptable form of collateral, surety, or other guarantee exists assuring the principal repayment to the County. The County's investment policy limits the use of reverse repurchase agreements to transactions with commercial banks located in the State of Wisconsin to a period of time no longer than 14 days. The County enters into reverse repurchase agreements for cash flow purposes only.

The Pension Trust fund's available cash is held separately by an outside trustee and is invested in various types of investments deemed appropriate by the Pension Board.

Risk Management

As stated in Note 10 in the notes to the financial statements, the County uses a Risk Management Fund, which is presented as an internal service fund, to account for the financing of uninsured risks of loss, loss control, and insurance-related activities of the County and its employees. The Risk Management Fund minimizes risk through the use of various risk control strategies. The County is self-insured for worker's compensation. County management believes that assets of the Risk Management Fund together with the commercial insurance companies' coverage will be adequate to meet insurance claims as they come due.

Pension Trust Fund Operations

The Pension Trust Fund ("Retirement System") accounts for the activities of the Employees' Retirement System ("ERS") and the OBRA 1990 Retirement System ("OBRA"). The ERS is a non-contributory single employer defined benefit pension plan that covers substantially all of its full-time employees. The OBRA (Omnibus Budget Reconciliation Act) 1990 Retirement System is also a non-contributory single employer defined benefit pension plan that covers the County's seasonal and certain temporary employees (see Note 15 to the financial statements). Assets of OBRA are commingled for investment purposes, with the assets of the ERS in the Retirement System. A complete financial report is available from the Pension Board that includes the Retirement Systems financial statements and required supplementary information.

F) OTHER INFORMATION

Independent Audit

The accounting firm of Virchow Krause & Company, LLP was engaged to perform an audit of the basic financial statements and to issue a report on internal controls and compliance with laws and regulations for the County. The auditors' report on the basic financial statements is included in this comprehensive annual financial report.

The selection of the independent audit firm was developed by a committee composed of representatives from the Department of Audit, County Controller's office, and two representatives from at-large departments. A request for proposal was submitted to all eligible firms. The firms who wanted to propose on the County audit submitted bids that were reviewed and ranked by the committee. The County Board and County Executive then approved the contract of the successful bidder.

The audit was performed to provide reasonable assurance that the financial statements are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2004 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of the CAFR.

The accounting firm of Coleman & Williams, Ltd. has issued reports on its audit of Federal and State grants. The Single Audit Report, covering Federal and State financial assistance, has been issued under separate cover.

Certificate of Achievement

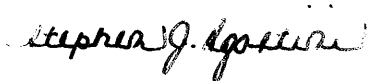
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the year ended December 31, 2003. This was the twenty-fifth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

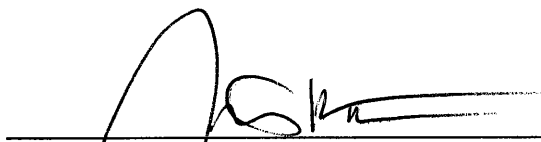
Acknowledgements

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Department of Administrative Services, Fiscal Affairs Division, the assistance of personnel in the various departments and through the competent service of the independent public accountants as well as the Department of Audit. We would like to express our appreciation to all persons who assisted in its preparation.

Respectfully submitted,



Stephen Agostini, Fiscal and Budget Administrator
Department of Administrative Services



Scott Walker
County Executive

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Milwaukee,
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

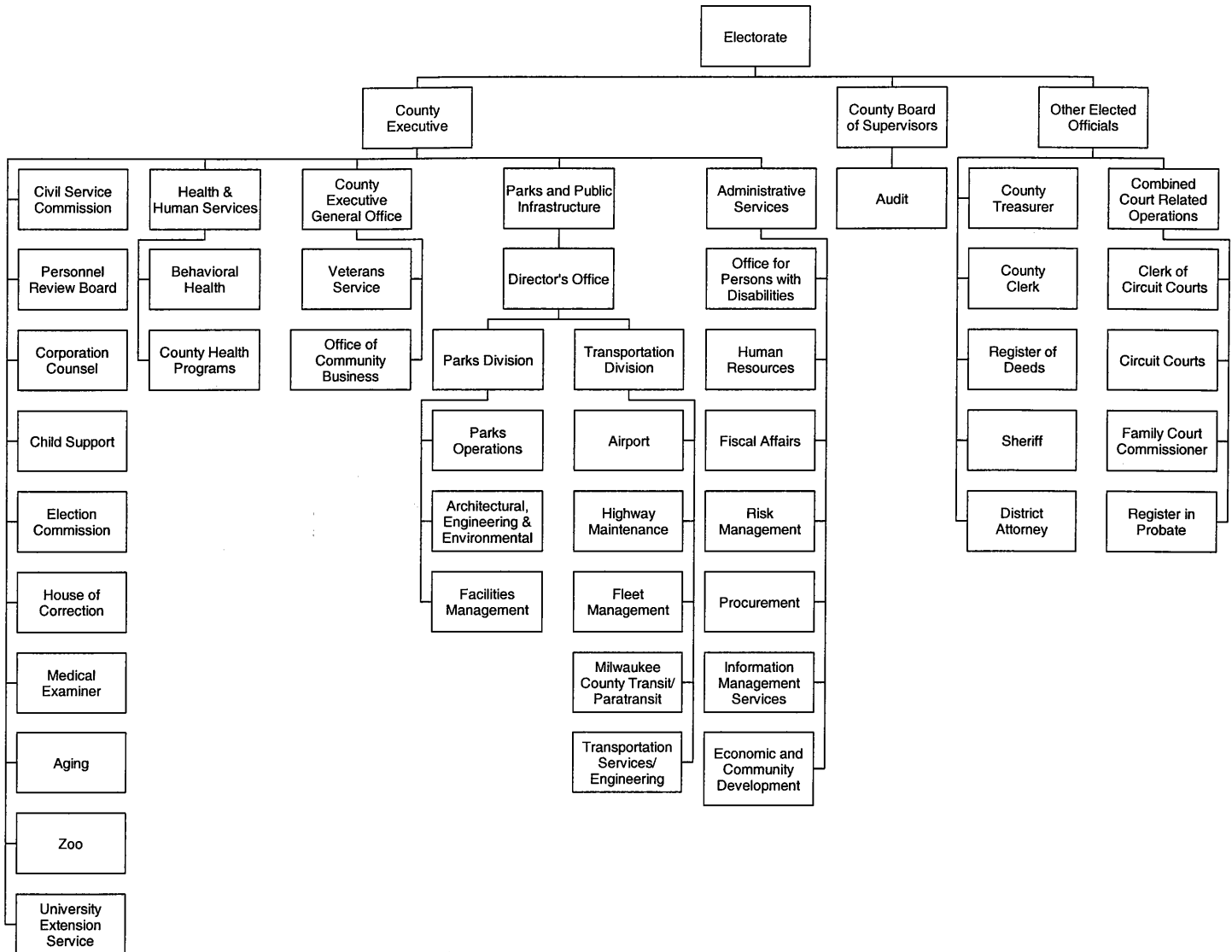
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

County of Milwaukee Organization Chart



COUNTY OF MILWAUKEE

LIST OF PRINCIPAL OFFICIALS

ELECTED

County Executive	-	Scott Walker
County Treasurer	-	Dorothy K. Dean
District Attorney	-	E. Michael Mc Cann
County Clerk	-	Mark Ryan
Clerk of Courts	-	John Barrett
Sheriff	-	David Clarke Jr.
Register of Deeds	-	John La Fave

Supervisors and Their District by Number

1- James G. White	11- Mark A. Borkowski
2- Toni M. Clark	12- Peggy West
3- Gerry P. Broderick	13- Willie Johnson, Jr.
4- Marina Dimitrijevic	14- Richard D. Nyklewicz, Jr.
5- Lee Holloway	15- Lynne D. De Bruin
6- Joseph Rice	16- John F. Weishan, Jr.
7- Michael Mayo, Sr.	17- Dan Devine
8- Ryan P. McCue	18- Roger H. Quindel
9- Paul M. Cesarz	19- Jim Schmitt
10- Elizabeth M. Coggs-Jones	

APPOINTED

Departments

Title

Human Services	Director	Rob Henken
Mental Health Division	Administrator	Jim Hill
Circuit Courts	Chief Judge	Michael J. Skwierawski
Corporation Counsel	Corporation Counsel	William Domina
Administration	Director	Linda Seemeyer
Audit	Director	Jerome Heer
Labor Relations	Director	Troy Hamblin
Human Resources	Director	Charles Mc Dowell
Park and Public Infrastructure	Director	Vacant
Parks and Public Infrastructure	Acting Transportation	
	Director	George A. Torres
Family Court Commissioner	Commissioner	Michael J. Bruch

COUNTY OF MILWAUKEE
LIST OF PRINCIPAL OFFICIALS

APPOINTED Continued

<u>Departments</u>	<u>Title</u>	
House of Correction	Superintendent	Ronald Malone
Medical Examiner	Medical Examiner	Dr. Jeffrey Jentzen
Parks and Public Infrastructure	Parks Superintendent	Susan Black
Register in Probate	Register in Probate	Robert R. Knoll
Zoological Department	Director	Charles Wikenhauser

FINANCIAL SECTION

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Other Supplementary Information**



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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Milwaukee Public Museum, Inc., the Milwaukee County War Memorial Center, Inc., the Milwaukee County Research Park Corporation and the Private Industry Council of Milwaukee County Inc., A Workforce Development Board, which represent the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1A, the County of Milwaukee adopted the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which established additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity, as of January 1, 2004.

To the Board of Supervisors
of the County of Milwaukee, Wisconsin

In accordance with *Government Auditing Standards*, we have issued our report dated June 13, 2005 on our consideration of the County of Milwaukee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and schedules of funding progress and employer contributions – Employees' Retirement System on pages 25 through 44 and pages 118 through 119, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial and statistical information listed in the accompanying table of contents under "Introductory Section and Statistical Section" is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Milwaukee, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on such information.

Vinlow, Kraus & Company, LLP

Milwaukee, Wisconsin
June 13, 2005

Management's Discussion and Analysis

Required Supplementary Information

This section of the County of Milwaukee's comprehensive annual financial report provides a narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS:

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The County's assets exceeded its liabilities by \$ 452,988 on a government-wide basis as of December 31, 2004. The unrestricted net assets of the County were a negative \$ 26,922 due to the County's minimal surplus reserves and the accrual on a government-wide basis of employee benefits for Governmental Activities employees.
- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to \$ 856,700. Expenses amounted to \$ 864,727 (includes operating transfers out of \$ 74,739).
- For the fiscal year, revenues of the County's business-type activities were \$ 290,104, and expenses were \$ 355,778. The Behavioral Health Division and the Transit System are budgeted, on an annual basis, to receive operating transfers from the General Fund to offset the shortfall between revenues and expenses. Operating transfers in were \$ 74,739 for 2004.

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- As of December 31, 2004, the County's governmental funds reported combined ending fund balances of \$ 52,619, as compared to \$ 65,315 for the year ended December 31, 2003.

FINANCIAL HIGHLIGHTS (continued)

Highlights for Fund Financial Statements (continued)

- At the end of the 2004 fiscal year, unreserved fund balance for the General Fund was \$ 3,692 or 0.5% of total General Fund expenditures. At the end of the 2003 fiscal year the unreserved fund balance of the General Fund was \$ 3,962.
- The County's enterprise funds had combined net assets of \$ 222,732, as of December 31, 2004, compared to \$ 213,667, as of December 31, 2003.

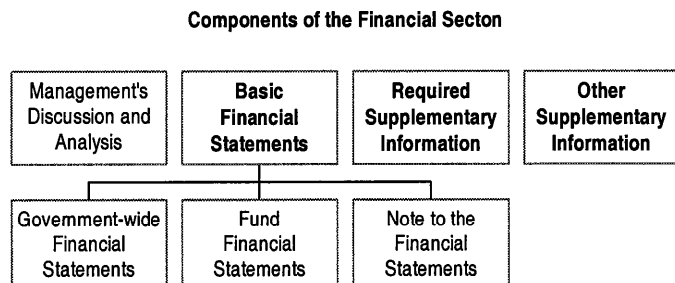
General Financial Highlights

- In February 2004, the County issued \$ 26,950 of General Obligation Bonds to finance various capital needs including the upkeep of various facilities.
- In March 2004, the Airport, an enterprise fund of the County, issued \$ 37,360 of revenue bonds for improvements to two concourses at General Mitchell International Airport.
- In May 2004, the County entered into a five-year loan with the State of Wisconsin Land Trust to obtain funds of \$ 18,627 for additional contributions to the pension plan. During the last several years the County's payments to its pension plan were below the actuarially determined annual required pension contribution, which resulted in a net pension obligation. This payment will eliminate the net pension obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The financial section of this annual report consists of four parts: (1) management's discussion and analysis (presented here), (2) basic financial statements that includes the government-wide financial

statements, fund financial statements and notes to the financial statements, (3) required supplementary information, and (4) other supplementary information.



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The County's basic financial statements consist of two kinds of statements, each with a different view of the County's finances. The government-wide financial statements provide both long- and short-term information about the County's overall financial status. The fund statements focus on major aspects of the County's operations, reporting those operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains the trend data pertaining to the retirement systems. Directly following this information is other supplementary information with combining and individual fund statements and schedules to provide details about the governmental, internal service, and fiduciary funds.

Government-wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of Milwaukee County's finances in a manner similar to a private-sector business.

The first government-wide statement- *the statement of net assets*- presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The second statement- *the statement of activities*- presents information showing how the County's net assets changed during 2004. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for not only current uses of cash flow but also for items that will result in cash flows in a future fiscal period (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of Milwaukee County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Milwaukee County include legislative, executive and staff, general government, courts and judiciary services, public safety, public works and highways, human services, parks, recreation and culture. The business-type activities of Milwaukee County include the General Mitchell International Airport, Behavioral Health Division, and the Transit System.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements (continued)

The government-wide financial statements include the County's governmental and business-type activities (collectively referred to as the primary government), but also legally separate entities (known as discretely presented component units) for which the County is financially accountable. Together, the primary government and its discretely presented component units are referred to as the reporting entity. The Milwaukee Public Museum, the Milwaukee County Research Park, the Milwaukee County War Memorial Center and the Private Industry Council of Milwaukee County are the County's discretely presented component units. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 46-47 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Milwaukee County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Milwaukee County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 9 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental funds (continued)

of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in other supplementary financial information.

The County adopts an annual appropriated budget for its general fund, debt service fund, and its capital projects funds. A budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance in the basic financial statements. Budgetary comparisons for other funds with adopted budgets have been included in other supplementary financial information. In addition, a general fund budgetary comparison by department is also included in other supplementary information.

The governmental fund financial statements can be found on pages 48-52 of this report.

Proprietary funds

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities of the Airport, Behavioral Health, and the Transit System. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its public works services, information management services, and its risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The financial statements of the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airports, Behavioral Health Divisions and the Transit System, which are considered to be major funds of the County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the other supplementary financial information.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The proprietary fund financial statements can be found on pages 53-55 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County's fiduciary funds consist of a pension trust fund and agency funds. The pension trust fund is used to account for the assets held in trust by the County for the employees and beneficiaries of its defined pension plan- the Employees' Retirement System, and the OBRA Retirement System. The agency funds are used to account for monies received, held, and disbursed on behalf of the State of Wisconsin Court System located in the County; fee collections, as mandated by the State; social service clients; and certain other local governments.

The fiduciary fund financial statements can be found on pages 56-57 of this report.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 60-116 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 118-119 of this report.

Other Supplementary Information.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions as other supplementary information. Budgetary comparison for the major funds is also provided in this section.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Other Supplementary Information (continued).

Combining and individual fund statements and schedules can be found on pages 122-137 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements are provided as part of the new approach mandated by the Governmental Accounting Standards Board (GASB). GASB sets the uniform standards for presenting government financial reports. Complete comparative information is provided in this Management's Discussion and Analysis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Milwaukee County, assets exceeded liabilities by \$ 453.0 million at the close of the fiscal year. The County's increase in net assets for this fiscal year amounts to \$ 1.0 million.

County of Milwaukee, Wisconsin

Net Assets

(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 406,133	\$ 403,505	\$ 119,560	\$ 87,574	\$ 525,693	\$ 491,079
Long-Term Assets	10,568	11,943	-	-	10,568	11,943
Capital Assets	639,931	639,361	345,522	336,806	985,453	976,167
Total Assets	<u>1,056,632</u>	<u>1,054,809</u>	<u>465,082</u>	<u>424,380</u>	<u>1,521,714</u>	<u>1,479,189</u>
Current Liabilities	394,305	397,542	51,856	49,058	446,161	446,600
Long-term Liabilities	432,071	418,984	190,494	161,655	622,565	580,639
Total Liabilities	<u>826,376</u>	<u>816,526</u>	<u>242,350</u>	<u>210,713</u>	<u>1,068,726</u>	<u>1,027,239</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	252,316	251,485	206,060	196,792	458,376	429,669
Restricted	8,130	6,862	13,404	14,044	21,534	20,906
Unrestricted	(30,190)	(20,064)	3,268	2,831	(26,922)	1,375
Total Net Assets	<u>\$ 230,256</u>	<u>\$ 238,283</u>	<u>\$ 222,732</u>	<u>\$ 213,667</u>	<u>\$ 452,988</u>	<u>\$ 451,950</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the County's net assets (97.4%) reflects its investment in capital assets (e.g. land, land improvements, buildings, vehicles, equipment and infrastructure, net of depreciation and amortization) less the outstanding debt that was used to acquire those assets. For 2004, the balance of capital assets net of related debt was \$ 458.3 million. The County uses

these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Indirectly, the depreciation of capital assets is an expense for proprietary funds and therefore, as an expense, is available to be reimbursed through user fees of those funds.

Composition of Net Assets of the Primary Government As of December 31, (In Thousands)

	Primary Government	
	Total	
	2004	2003
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	\$ 458,376	\$ 448,277
Restricted	21,534	20,906
Unrestricted	(26,922)	(17,233)
Total Net Assets	\$ 452,988	\$ 451,950

The restricted net assets portion represents resources that are subject to external restriction on how they may be used. Restricted net assets of \$ 21.5 million of the County's net assets represent resources that are subject to external restrictions some of which include debt service and the airports capital projects. Unrestricted net assets represent the remaining amount of net assets that are neither related to capital assets nor are restricted for specific purposes. The unrestricted net assets were a negative (\$ 26.9) million as of the end of 2004, due to the limited amount of reserves in the general fund and the full accrual of the cost of other post employment benefits for the general fund employees in the statement of net assets. These other post-employment benefits include sick leave payable at retirement, and other types of leave not paid in the first sixty days of the new year.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities

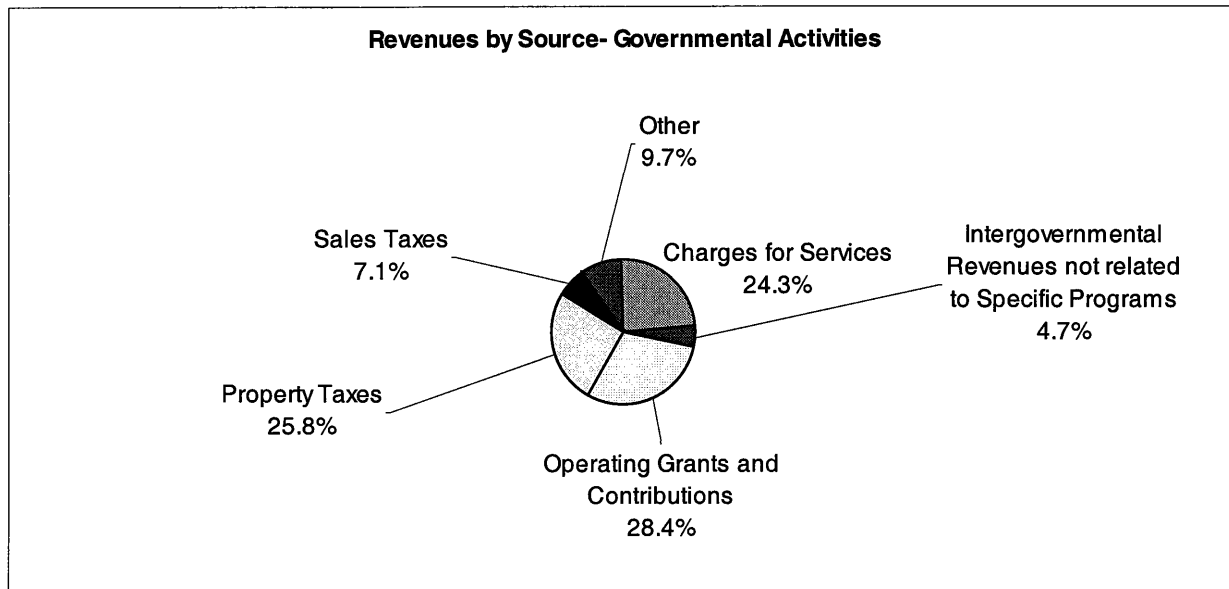
The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2004 and 2003:

County of Milwaukee, Wisconsin
Summary of Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 211,687	\$ 180,519	\$ 156,232	\$ 144,848	\$ 367,919	\$ 325,367
Operating Grants and Contributions	251,906	238,864	133,046	133,840	384,952	372,704
Capital Grants and Contributions	39,702	19,345	-	-	39,702	19,345
General Revenues:						
Property Taxes	220,612	221,265	-	-	220,612	221,265
Sales Taxes	60,498	59,788	-	-	60,498	59,788
Investment Income and Rents	4,444	10,207	794	872	5,238	11,079
Intergovernmental Revenues not Related to Specific Programs	40,472	44,138	-	-	40,472	44,138
Gain on Sale of Capital Assets	725	182	32	(26)	757	156
Other-Revenue	26,654	42,609	-	-	26,654	42,609
Total Revenues	856,700	816,917	290,104	279,534	1,146,804	1,096,451
Expenses:						
Legislative, Executive, and Staff	65,142	56,569	-	-	65,142	56,569
Courts and Judiciary	54,715	52,427	-	-	54,715	52,427
General Governmental Services	8,992	8,426	-	-	8,992	8,426
Public Safety	136,896	128,134	-	-	136,896	128,134
Public Works and Highways	82,543	77,079	-	-	82,543	77,079
Human Services	345,251	320,705	-	-	345,251	320,705
Parks, Recreation, and Culture	69,861	70,609	-	-	69,861	70,609
Other	9,086	15,812	-	-	9,086	15,812
Interest	17,502	20,279	-	-	17,502	20,279
Airport	-	-	54,720	51,949	54,720	51,949
Behavioral Health	-	-	147,055	137,908	147,055	137,908
Transit	-	-	154,003	148,710	154,003	148,710
Total Expenses	789,988	750,040	355,778	338,567	1,145,766	1,088,607
Change in Net Assets Before Transfers	66,712	66,877	(65,674)	(59,033)	1,038	7,844
Transfers	(74,739)	(61,157)	74,739	61,157	-	-
Change in Net Assets	(8,027)	5,720	9,065	2,124	1,038	7,844
Net Assets- Beginning of the Year	238,283	232,563	213,667	211,543	451,950	444,106
Net Assets- End of the Year	\$ 230,256	\$ 238,283	\$ 222,732	\$ 213,667	\$ 452,988	\$ 451,950

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities



Revenues for the County's governmental activities were \$856,700 for the fiscal year 2004, representing an increase of \$ 39,783 over fiscal year 2003. Sources of revenue for 2004 as a percentage of total revenues are shown above. Taxes, both property and sales constitute the largest source of County revenues, amounting to \$281,110 for fiscal year 2004, an increase of only \$ 57 over the fiscal year 2003. Real property taxes of \$ 220,612 represent over 78.5 % of total taxes, but only 25.8% of all revenues combined. Sales taxes provide additional tax revenue at \$ 60,498.

Some of the cost of governmental activities was paid for by those who directly benefited from the programs as a charge for services (\$ 211.7 million) and operating grants and contributions from governments and non-profit organizations (\$ 251.9 million).

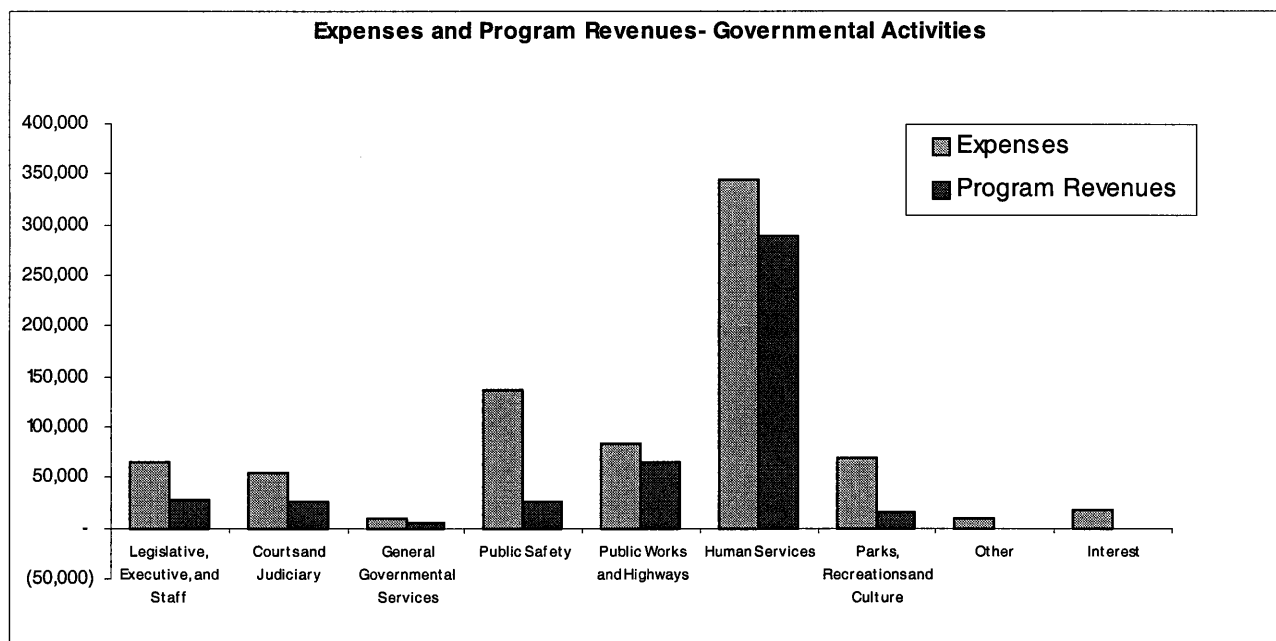
Charges for services increased to \$ 211,687 in 2004, an increase of \$ 31,168 over the 2003 fiscal year. This increase in charges for services represent the payments that are being received on behalf of participants in the elderly care program established by the State in recent years. Operating grants and contributions continue to be support for the majority of the health services with \$ 251,906 of governmental activity funding. This revenue increased by \$ 13,042 over the 2003 fiscal year. The increase was in human services

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities (continued)

Total cost of all of the County's governmental activities for the fiscal year 2004 was \$ 789,988, representing an increase of \$ 39,948 over 2003 activity. As the chart indicates below, human services continue to be the County's largest program. Human services was \$345,251, an increase of \$ 24,546 over the prior year, due primarily to the continued growth of new State program established for the elderly, in place of normal medicare funding. The net tax contribution for human services was \$ 49,240.

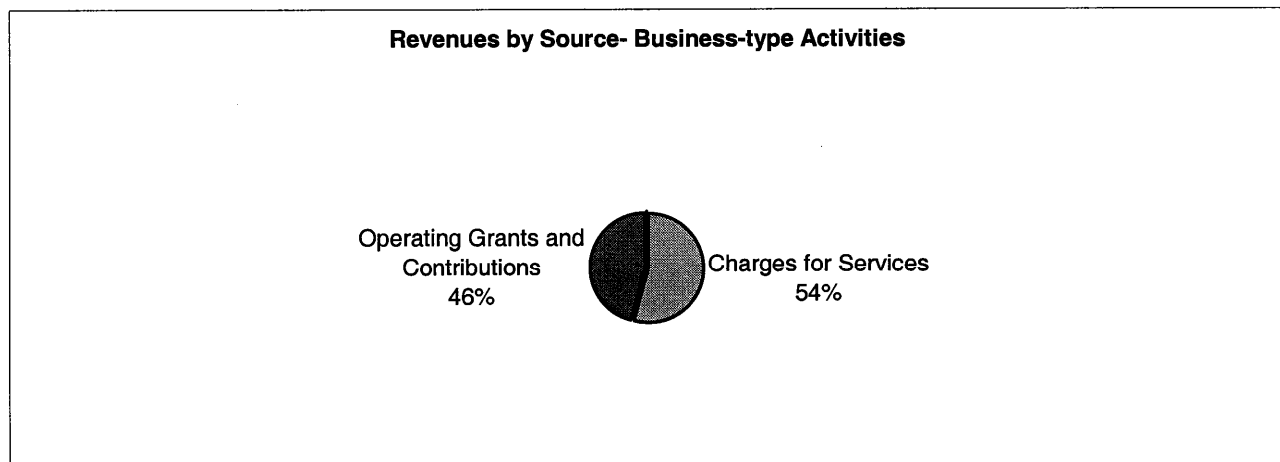
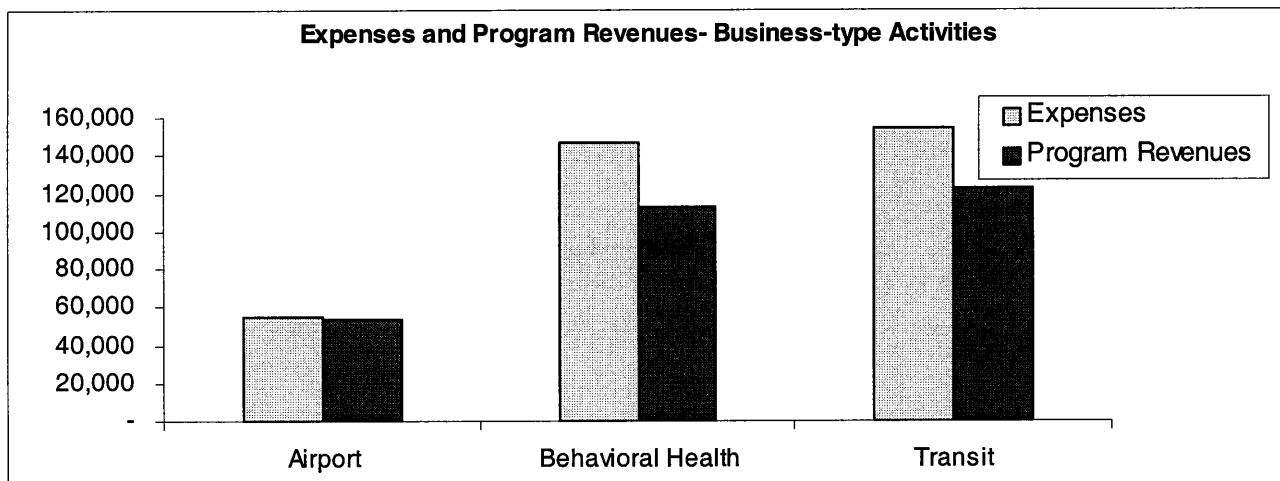
Public Safety represents the second largest expense totaling \$136,896 for the operation of correctional facilities, pre-trial holding facilities and county sheriff services. Public safety expenses increased by \$ 8,762 over the prior year. Public safety includes correctional facilities, pre-trial holding facilities and county sheriff services. The net tax levy cost for public safety for 2004 was \$103,254.



GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-type activities

The Airports recovers 97% of all costs of operation from fees charged to airlines for use of the airport, including fees received from ancillary services of the airport. Operating transfers are negligible for the Airports. The Behavioral Health Division, and Transit System require operating transfers from the governmental activities funds for support of their operation. Total governmental activity operating support through operating transfers for Behavioral Health and the Transit System was \$33,781 and \$31,303, respectively, for fiscal year 2004. Total state and federal grants and contributions for the Transit System was \$77,108 for 2004. This is only an increase of \$462 over the 2003 fiscal year. Direct support from users of the Transit System was \$45,592, or 29% of total expenses. The Transit System uses federal grant funds to purchase capital assets, plus pay for maintenance parts and tires. State funding is available to cover general operating costs, but this grant funding has been fixed in recent years. Operating grants and contributions, and charges for services for the Behavioral Health Division was \$ 54,780, and \$ 58,494, respectively.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, the County's governmental funds reported combined ending fund balances of \$ 52,619. Approximately 7% of this total amount \$ 3,692 constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has been committed. The reserved fund balance consists of \$ 1,191 for inventories, \$ 21,510 for encumbrances, \$ 8,130 for debt service, (\$ 3,534) for 2005 appropriations, (\$ 1,573) for 2006 appropriations, and \$ 23,203 for endowments, bequests and restricted donations. The general, debt service, and capital projects funds are reported as major funds.

The general fund is the chief operating fund of the County. At December 31, 2004, unreserved fund balance of the general fund was \$ 3,692 while total fund balance reached \$ 8,984. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0.5% of total fund expenditures, while total fund balance represents 1.3% of that same amount.

The fund balance of the County's general fund decreased by \$ 5,438 during the 2004 fiscal year.

The debt service fund has a total fund balance of \$ 8,130 all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$ 3,876.

The capital projects fund has a total fund balance of \$ 12,302, all of which is reserved for the payment of capital projects in progress. The net decrease in fund balance during the current year in the capital projects fund was \$ 1,532. Fund balance decreased due to greater expenditures during 2004, which reduced encumbrances at year-end.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

Proprietary funds.

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Airport, Behavioral Health, and the Transit System at the end of the year were \$ 3,268. The total growth/(decline) in net assets for these funds were \$ 7,284, \$ (901), and \$ 2,681, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis
For the Year Ending December 31, 2004
(In Thousands)

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues and Other Sources</u>				
Taxes	\$ 280,198	\$ 280,198	\$ 279,446	\$ (752)
Intergovernmental Revenue	300,468	291,549	276,179	(15,370)
Charges for Services	182,329	185,285	180,925	(4,360)
Other	40,310	42,075	36,679	(5,396)
Total	\$ 803,305	\$ 799,107	\$ 773,229	\$ (25,878)
<u>Expenditures and Other Uses</u>				
Expenditures	\$ 694,330	\$ 701,791	\$ 677,906	\$ 23,885
Transfers	109,238	105,232	103,856	1,376
Total	\$ 803,568	\$ 807,023	\$ 781,762	\$ 25,261
Change in Fund Balance	\$ (263)	\$ (7,916)	\$ (8,533)	\$ (617)

As shown above, expenditures and other financing uses exceeded revenues and other financing sources by \$ 8.5 million in the General Fund for the year ended December 31, 2004. This is a variance from budget of (\$ 0.6) million. This table is based on a budgetary basis presentation. The budgetary basis of actual revenues and expenditures presented above differs from the combined statement of revenues, expenditures, and changes in net assets by the inclusion of encumbrances of \$ 7.1 million in expenditures offset by the inclusion of a contribution from reserves for 2004 appropriations of \$ 4.0 million.

Actual General Fund revenues were less than budgeted revenues by \$ 25.8 million during fiscal year 2004. These decreases in revenues are due to lower inter-

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

governmental revenue of \$ 15.3 million, lower charges for services of \$ 4.3 million and lower other revenue of \$ 5.4 million. The reduction in intergovernmental revenue is primarily from the County Housing program (\$ 6.7 million), Courts (\$ 2.5 million), Public Works and Highways (\$ 1.2 million) and Human Services (\$ 4.1 million). The lower revenue in Housing reflects grant programs that are carried over from year to year, and are used only based on need. The grant revenues that are budgeted will be carried over from year to year as long as the grant program is in existence. The lower revenue in all of these departments was offset by reduced expenditures in these same departments. Lower revenue in charges for services of \$ 4.3 million consists primarily of reduced concession and activities revenue in the Parks, Recreation and Culture area. Lower revenue from other sources of \$ 5.4 million is primarily related to non-department budgeted revenue of \$ 10.3 million whose actual revenue was only \$ 6.8 million. This included both land sale revenue and anticipated revenue from a non-profit organization that did not fully materialize.

Actual General Fund expenditures were lower than amended budget expenditures by \$ 23.9 million. This variance is mainly due to departments that receive outside revenues lowering their costs to offset reduced revenues. Reduced expenditures are primarily associated with grant expenditures, and personnel costs including fringe benefits.

There are three basic reasons for increases between the original budget and the amended budget: fund transfer requests from departments, carryover of capital outlay and the associated revenue from the prior year, and carryover of encumbrances from the prior year. The encumbrance carryover process is automatic each year, and is authorized by Wisconsin State statute and Milwaukee County ordinance. The carryover of capital outlay and the associated revenue is authorized by State statute and is approved by the County Board on a preliminary basis in March and finalized in April. During the fiscal year, the County Board receives fund transfer requests from departments. These transfer requests are reviewed and approved by the County Board.

The decrease between the original budget for revenue of \$ 803,305 million and the final budget for revenue of \$ 799,107 was (\$ 4,198) and was due to the following reasons:

- The net carryover of revenue associated with capital outlay budgets and certain grants of \$ 6,314.
- Reclassification of \$ 32,733 of budgeted revenues and expenditures for the General Assistance Medical Program. For budget monitoring, the state funding for this program is shown as revenue and the associated costs in human services as an expense. For financial reporting, this revenue and expense is considered to be a pass through of funds, and is not reportable in our financial statements. The

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

associated intergovernmental revenue and human service expenditure budget are reduced by an equal \$ 32,733.

- Fund transfers of \$ 22,221 including:
 - \$ 2,734 million for an increase in the State of Wisconsin 2004 Care Management Organization (CMO) capitated rate payment with the Department of Aging.
 - \$ 4,253 carryover of grants to 2004 for the programs and projects pursuant to the federally funded Community Development Block Grant and Home programs
 - \$ 3,268 contract addendum with the State to authorize a new children's long-term support program.
 - \$ 5,209 for payments by the Department of Human Services Economic Support Division to medical transportation providers, which will be funded by intergovernmental revenue from the State.
 - \$ 1,296 for the additional intergovernmental revenue to cover the cost and expansion of the economic support division in Human Services.
 - \$ 1,481 of additional intergovernmental revenue for child care support program in the Department of Human Services, to fund additional administrative and operating costs of the program.

The increase between the original budget for expenditure appropriations of \$ 694,330 (before transfers) and the final budget for expenditure appropriations of \$ 701,791 (before transfers) of \$ 7,461 was due to the following reasons:

- The net carryover of expenditures associated with capital outlay budgets and certain grants of \$ 6,855 million.
- Encumbrances from the prior year carried over to 2004 of \$ 6,270.
- Decrease in expenditure budget for reclassification of General Assistance Medical Programs of \$ 32,733 (see revenue budget note above).
- Fund transfers of \$ 27,069 (see revenue budget note above for listing of transfers). In addition, there was a year-end countywide transfer to break-even the budget and actual costs for fringe benefits. The net impact on general fund was to increase budgeted expenditure authority by \$ 3,256.

Transfers represent the net budgeted funds to be provided by the General Fund to breakeven the remaining governmental fund departments, proprietary fund departments, and component units (original budget of \$ 109,238 and amended budget of \$ 105,232). The net contribution actually made by the General Fund to other funds was \$ 103,856. The General Fund collects all of the property tax and sales tax revenues of the County \$ 279,446, plus intergovernmental revenues not related to a specific program of \$ 40,472. These revenues are then transferred at the end of the year to the other governmental funds and the proprietary funds to offset any shortfalls between revenues and expenditures. Any gains in these same funds are returned to the General Fund, except for the Airport, who is required to maintain any

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

gains or losses as part of its lease agreements and revenue bond agreements. The change in transfers between the original budget and the amended budget is due to the net changes in carryovers and encumbrances between years, and any net transfers made from the general fund to proprietary fund departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Milwaukee County's investment in capital assets for its governmental and business-type activities as of December 31, 2004 amounts to \$ 985,453 (net of accumulated depreciation of \$ 828,295). This investment in capital assets includes land, buildings and improvements (both land and building), machinery, vehicles and equipment, and infrastructure. All infrastructure assets of the County are included in this report. The total increase in the County's investment in capital assets for the current fiscal year was 1% (a 0.1% increase in governmental activities and a 2.7% increase for business-type activities). Major capital asset events in the current year included the following:

- Continuation of roadway-related projects, including phase I construction of a portion of North Port Washington Road, for a cost of \$ 2,378 and work on West Layton Avenue for \$ 1,801.2. In addition, the County made roadway improvements on the County grounds for a cost of \$ 1,226.
- Bridge replacement on County highways also continued in 2004 for bridge replacement over the Root River at West Beloit Road for \$ 1,662 and construction of two bridges over the Union Pacific rail lines at West Hampton Avenue for \$ 2,465.
- Purchase of 45 New Flyer buses plus spare parts for the Transit System as replacements for existing buses and to continue standardization of transit fleet. Cost was \$ 12,257 for 2004 with 80% funding from the federal government.
- The airport continued several capital improvements including the D Concourse improvements to increase the area for airline activities and widen the security checkpoint area. The cost for 2004 was \$ 3,345. An additional project is the expansion in the C Concourse area for both passenger arrivals and security checkpoints, which is estimated to cost \$ 29,978. The cost for 2004 was \$ 6,564, with continuing costs in future years of \$ 23,050. Both of these projects are funded with Airport revenue bonds and passenger facility charge (PFC) revenues. Revenue bonds for the two projects were issued in 2004.
- The airport continues to work on programs to address noise in the surrounding neighborhoods with a noise mitigation program. This program is funded both by federal dollars and PFC revenues. Total cost in 2004 was \$ 12,856. Budgeted authority remaining for this project is \$ 13,552.
- Parks and Zoo continued several projects during 2004 including the feline building renovation for \$ 2,777, various infrastructure improvements to the Zoo and Parks

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

for \$ 1,216, Mitchell Domes heating, ventilating and air conditioning replacement work for \$ 1,656 and Parks trails and hard surface replacement for \$ 983.

- Continuation of the upgrading of the County's fleet equipment for a cost of \$ 2,414.
- The Courthouse roof replacement begun in late 2004. This project will be done in phases for a total cost of \$3,399. The first phase was started in 2004 at a cost of \$ 1,535.
- The phase I work was completed at County's Human Services building located at 12th and Vliet in 2003. The total cost for phase I was \$7,100. This work was for exterior and interior remodeling. Phase II began in 2004 to replace the mechanical systems of the building at an estimated cost of \$5,500, Total cost incurred in 2004 was \$ 3,365. Human Service staff reoccupied the building in late 2004

Milwaukee County's Capital Assets (Net)

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 60,269	\$ 60,269	\$ 20,759	\$ 20,759	\$ 81,028	\$ 81,028
Building and Improvements	404,412	418,659	188,687	203,968	593,099	622,627
Furniture, Vehicles & Equipment	48,451	53,475	84,439	87,212	132,890	140,687
Infrastructure	72,849	68,895	-	-	72,849	68,895
Construction in Progress	53,950	38,063	51,637	24,867	105,587	62,930
Total	\$ 639,931	\$ 639,361	\$ 345,522	\$ 336,806	\$ 985,453	\$ 976,167

Additional information on the County's capital assets can be found in Note 5 on pages 87-92 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-term debt

At December 31, 2004, the County had total debt outstanding of \$ 603,596. Of this amount, \$ 482,859 comprised of general obligation bonds and \$ 120,737 of airport revenue bonds.

Milwaukee County's Outstanding Debt General Obligation and Revenues Bonds

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 425,707	\$ 405,168	\$ 57,152	\$ 62,276	\$ 482,859	\$ 467,444
Revenue Bonds	-	-	120,737	87,042	120,737	87,042
Totals	<u>\$ 425,707</u>	<u>\$ 405,168</u>	<u>\$ 177,889</u>	<u>\$ 149,318</u>	<u>\$ 603,596</u>	<u>\$ 554,486</u>

The County's total debt increased by \$ 49.1 million during the year ended December 31, 2004. New general obligation bonds were issued for \$ 26,950 to finance the following capital projects: highways and bridges \$ 1,375, mass transit \$ 1,703, parks, recreational, and cultural facilities \$ 11,430, health and human services \$ 5,560, general government \$ 6,882. New airport revenue bonds were issued in May 2004 for \$ 37,360 to finance the C Concourse expansion for \$ 29,978, D Concourse security improvements for \$ 3,100, parking structure maintenance for \$ 800, other miscellaneous airport projects for \$ 485, debt service reserve deposit of \$ 1,745 and capitalized interest of \$ 948. In May 2005, the County completed a loan with the State of Wisconsin Land Trust for funding the net pension obligation of the County of \$ 18,627. Cash proceeds were transferred to the Employee Retirement System trustee upon receipt.

Additional information on the County's long-term debt can be found in Note 8 on pages 94-103 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate decreased for 2004 to 6.4% compared to the national average of 5.5%.
- Taxable property valuation increased to \$ 49.8 million in 2004 from \$ 46.1 million in 2003.
- Health care costs in the Milwaukee area are increasing faster than any other metro area in Wisconsin in the last year, according to a study of costs in Wisconsin.

Economic Factors and Next Year's Budget and Rates (continued)

All of these factors were considered in preparing the County's budget for the 2005 fiscal year. The deficit from 2003 of \$ 3,534, which is identified on the Governmental Funds balance sheet as Reserved for 2005 Appropriations, was included in the 2005 budget, as required by state statute, and covered by available funds.

During the 2004 fiscal year, the County had a net deficit of \$ 1,573 after considering net revenue from operations and changes in reserve balances. This deficit is identified on the governmental funds balance sheet as a Reserved for 2006 Appropriations, and will be added to the costs of the 2006 budget.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Milwaukee County Court House, 901 North 9th Street, Room 308, Milwaukee, WI 53233.



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BASIC FINANCIAL STATEMENTS

COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2004
(In Thousands)

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units
ASSETS				
Current Assets:				
Cash and Investments	\$ 70,763	\$ 45,185	\$ 115,948	\$ 7,799
Cash and Investments -- Restricted	7,060	38,427	45,487	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	2,632	9,865	12,497	4,427
Property Taxes:				
Current Levy	226,721	-	226,721	-
Delinquent	8,337	-	8,337	-
Accrued Interest and Dividends	3,996	-	3,996	-
Notes	3,398	-	3,398	-
Other	12,297	2,509	14,806	-
Due From Other Governments	66,252	21,006	87,258	-
Inventories	2,063	2,110	4,173	871
Prepaid Items	2,214	302	2,516	303
Pension Obligations	400	-	400	-
Other Assets	-	156	156	1,400
Noncurrent Assets:				
Investments	-	-	-	1,425
Contributions Receivable	-	-	-	426
Notes Receivable	8,545	-	8,545	-
Pension Obligations	1,600	-	1,600	-
Deferred Charges	423	-	423	-
Capital Assets (Net)				
Land	60,269	20,759	81,028	170
Buildings and Improvements	774,178	440,908	1,215,086	20,874
Machinery, Vehicles and Equipment	119,622	174,550	294,172	7,717
Infrastructure	117,874	-	117,874	-
Construction in Progress	53,950	51,638	105,588	1,538
Less: Accumulated Depreciation	(485,962)	(342,333)	(828,295)	(4,818)
Total Capital Assets (Net)	639,931	345,522	985,453	25,481
Total Assets	\$ 1,056,632	\$ 465,082	\$ 1,521,714	\$ 42,132
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 39,031	\$ 8,161	\$ 47,192	\$ 2,916
Accrued Liabilities	39,458	5,652	45,110	1,266
Accrued Interest Payable	5,530	1,260	6,790	165
Accrued Pension Payable	25,258	-	25,258	-
Due to Other Governments	1,046	40	1,086	-
Unearned Revenues	228,205	8,796	237,001	916
Bonds and Notes Payable	30,058	11,185	41,243	-
Notes Payable	-	-	-	1,633
Unfunded Claims and Judgments	3,774	-	3,774	-
Landfill Postclosure Costs	2,320	-	2,320	-
Compensated Absences Payable	19,624	9,601	29,225	-
Other Current Liabilities	1	7,161	7,162	189
Total Current Liabilities	394,305	51,856	446,161	7,085
Noncurrent Liabilities:				
Bonds and Notes Payable	395,649	50,907	446,556	17,020
Bonds and Notes Payable -- Revenue Bonds	-	115,797	115,797	-
Unfunded Claims and Judgments	9,250	-	9,250	-
Landfill Postclosure Costs	9,380	-	9,380	-
Compensated Absences Payable	17,792	16,208	34,000	-
Capital Leases	-	-	-	114
Other Liabilities	-	7,582	7,582	-
Accrued Pension and Postretirement Benefits	-	-	-	2,525
Total Noncurrent Liabilities	432,071	190,494	622,565	19,659
Total Liabilities	826,376	242,350	1,068,726	26,744
NET ASSETS				
Unrestricted	(30,190)	3,268	(26,922)	1,729
Restricted for:				
Debt	8,130	9,505	17,635	-
Other	-	3,899	3,899	5,198
Invested in Capital Assets, Net of Related Debt	252,316	206,060	458,376	8,461
Total Net Assets	230,256	222,732	452,988	15,388
Total Liabilities and Net Assets	\$ 1,056,632	\$ 465,082	\$ 1,521,714	\$ 42,132

The notes to the financial statements are an integral part of this statement.



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COUNTY OF MILWAUKEE
Balance Sheet
Governmental Funds
December 31, 2004
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 14,115	\$ 10,221	\$ 6,873	\$ 18,152	\$ 49,361
Cash and Investments -- Restricted	2,250	-	-	5,035	7,285
Receivables:					
Accounts (Net of Allowances for Doubtful Accounts)	2,109	-	2	-	2,111
Property Taxes:					
Current Levy	226,721	-	-	-	226,721
Delinquent	8,337	-	-	-	8,337
Accrued Interest	3,996	-	-	-	3,996
Notes Receivable	6,650	5,293	-	-	11,943
Other	12,287	-	9	1	12,297
Due From Other Governments	49,491	-	16,539	-	66,030
Inventories	1,191	-	-	-	1,191
Prepaid Items	2,073	-	-	31	2,104
Total Assets	<u>\$ 329,220</u>	<u>\$ 15,514</u>	<u>\$ 23,423</u>	<u>\$ 23,219</u>	<u>\$ 391,376</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 24,258	\$ 1,399	\$ 11,121	\$ 15	\$ 36,793
Accrued Liabilities	28,277	692	-	-	28,969
Accrued Pension Payable	25,258	-	-	-	25,258
Other Liabilities	-	-	-	1	1
Due to Other Governments	1,046	-	-	-	1,046
Deferred Revenues	241,397	5,293	-	-	246,690
Total Liabilities	<u>320,236</u>	<u>7,384</u>	<u>11,121</u>	<u>16</u>	<u>338,757</u>
Fund Balance:					
Reserved for 2005 Appropriations	(3,534)	-	-	-	(3,534)
Reserved for 2006 Appropriations	(1,573)	-	-	-	(1,573)
Reserved for Debt Service	-	8,130	-	-	8,130
Reserved for Encumbrances	9,208	-	12,302	-	21,510
Reserved for Inventories	1,191	-	-	-	1,191
Reserved for Other	-	-	-	23	23
Reserved for Zoo	-	-	-	559	559
Reserved for Parks	-	-	-	501	501
Reserved for Persons with Disabilities	-	-	-	101	101
Reserved for Behavioral Health Division	-	-	-	490	490
Reserved for Airport PFC	-	-	-	21,529	21,529
Unreserved -- Designated for Delinquent Property Tax	3,555	-	-	-	3,555
Unreserved -- Designated for Economic Development	137	-	-	-	137
Total Fund Balance	<u>8,984</u>	<u>8,130</u>	<u>12,302</u>	<u>23,203</u>	<u>52,619</u>
Total Liabilities and Fund Balance	<u>\$ 329,220</u>	<u>\$ 15,514</u>	<u>\$ 23,423</u>	<u>\$ 23,219</u>	<u>\$ 391,376</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Reconciliation of the Balance Sheet
of Governmental Funds
to the Statement of Net Assets
For the Year Ended December 31, 2004
(In Thousands)

Total Fund Balances for Governmental Funds as of 12/31/04	\$	52,619
---	----	--------

**Total net assets reported for governmental activities in the
statement of net assets is different because of the following:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	58,663
Construction in Progress	40,656
Buildings and Improvements	653,439
Machinery, Vehicles and Equipment	48,519
Infrastructure	117,874
Less: Accumulated Depreciation	(344,760)

Internal service funds are used by management to charge costs associated with risk management, data processing services and public works services including fleet management and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:

25,608

Amounts to be collected under long-term receivables are not available to pay for the current period expenditures, and therefore are reported as deferred in the funds.

18,747

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate liabilities. These liabilities, except internal service fund liabilities, consist of:

Bonds Payable	(382,657)
Unamortized Debt Issue Costs	423
Compensated Absences -- Long-Term	(31,239)
Landfill Postclosure Costs	(11,700)
Net Pension Cost Payable	2,000
Unfunded Claims and Judgments	(13,024)

Interest on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of net assets.

(4,912)

Total Net Assets of Governmental Activities as of 12/31/04	\$	230,256
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The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For The Year Ended December 31, 2004
(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 276,179	\$ -	\$ 34,324	\$ -	\$ 310,503
Property Taxes	220,612	-	-	-	220,612
Sales Taxes	58,834	-	2,289	-	61,123
Investment Income and Rents	6,974	-	641	337	7,952
Charges for Services	180,925	-	-	666	181,591
Fines and Forfeits	3,129	-	-	-	3,129
Licenses and Permits	443	-	-	-	443
Other	26,133	7,234	1,684	9,439	44,490
Total Revenues	<u>773,229</u>	<u>7,234</u>	<u>38,938</u>	<u>10,442</u>	<u>829,843</u>
Expenditures:					
Current:					
Legislative, Executive and Staff	38,246	-	-	-	38,246
Courts and Judiciary	55,748	-	-	-	55,748
General Governmental Services	6,608	-	-	-	6,608
Public Safety	135,596	-	-	-	135,596
Public Works and Highways	16,553	-	-	-	16,553
Human Services	345,157	-	-	51	345,208
Parks, Recreation and Culture	61,640	-	-	845	62,485
Other	17,613	19,083	-	967	37,663
Capital Outlay	-	-	77,409	-	77,409
Debt Service:					
Principal Retirement	-	20,132	-	-	20,132
Interest	-	16,035	-	-	16,035
Total Expenditures	<u>677,161</u>	<u>55,250</u>	<u>77,409</u>	<u>1,863</u>	<u>811,683</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>96,068</u>	<u>(48,016)</u>	<u>(38,471)</u>	<u>8,579</u>	<u>18,160</u>
Other Financing Sources (Uses):					
General Obligation Bonds Issued	-	-	26,950	-	26,950
Wisconsin State Trust Fund Bonds Issued	-	18,627	-	-	18,627
Transfers In	5,538	25,513	11,039	-	42,090
Transfers Out	(107,044)	-	(1,050)	(10,429)	(118,523)
Total Other Financing Sources (Uses)	<u>(101,506)</u>	<u>44,140</u>	<u>36,939</u>	<u>(10,429)</u>	<u>(30,856)</u>
Net Change in Fund Balances	(5,438)	(3,876)	(1,532)	(1,850)	(12,696)
Fund Balances - Beginning	14,422	12,006	13,834	25,053	65,315
Fund Balances - Ending	<u>\$ 8,984</u>	<u>\$ 8,130</u>	<u>\$ 12,302</u>	<u>\$ 23,203</u>	<u>\$ 52,619</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance
of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2004
(In Thousands)

Net change in fund balances -- total governmental funds	\$	(12,696)
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**Amounts reported for governmental activities in
the statement of activities are different because:**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

6,012

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

506

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

(26,826)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

1,150

Principal payments reduce notes receivable on the Statement of Net Assets but are reported as revenues in the funds.

(3,384)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued Interest Payable

231

Deferred Charges

94

Pension Obligations

20,627

Unfunded Claims and Judgments

(4,674)

Landfill Postclosure Costs

2,575

Compensated Absences

8,358

Change in net assets of governmental activities

\$ (8,027)

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 300,468	\$ 291,549	\$ 276,179	\$ (15,370)
Property Taxes	220,886	220,886	220,612	(274)
Sales Taxes	59,312	59,312	58,834	(478)
Investment Income and Rents	8,627	8,627	6,974	(1,653)
Charges for Services	182,329	185,285	180,925	(4,360)
Fines and Forfeits	3,264	3,264	3,129	(135)
Licenses and Permits	552	552	443	(109)
Other	27,867	29,632	26,133	(3,499)
Total Revenues	<u>803,305</u>	<u>799,107</u>	<u>773,229</u>	<u>(25,878)</u>
Expenditures:				
Current:				
Legislative, Executive and Staff	39,288	47,103	40,203	6,900
Courts and Judiciary	58,446	59,242	56,410	2,832
General Governmental Services	6,821	7,485	6,856	629
Public Safety	134,708	137,941	137,018	923
Public Works and Highways	16,388	17,905	16,685	1,220
Human Services	365,213	351,933	347,126	4,807
Parks, Recreation and Culture	56,382	60,736	55,990	4,746
Other	17,084	19,446	17,618	1,828
Total Expenditures	<u>694,330</u>	<u>701,791</u>	<u>677,906</u>	<u>23,885</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>108,975</u>	<u>97,316</u>	<u>95,323</u>	<u>(1,993)</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2004 Appropriations	4,009	4,009	4,009	-
Transfers In	-	-	5,538	5,538
Transfers Out	(106,931)	(102,882)	(107,044)	(4,162)
Transfers To Component Units	(6,316)	(6,359)	(6,359)	-
Total Other Financing Sources (Uses)	<u>(109,238)</u>	<u>(105,232)</u>	<u>(103,856)</u>	<u>1,376</u>
Net Change in Fund Balance	(263)	(7,916)	(8,533)	(617)
Fund Balances -- Beginning	14,422	14,422	14,422	-
Fund Balances -- Ending	<u>\$ 14,159</u>	<u>\$ 6,506</u>	<u>\$ 5,889</u>	<u>\$ (617)</u>

The notes to the financial statement are an integral part of this statement.



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COUNTY OF MILWAUKEE
Balance Sheet
Proprietary Funds
December 31, 2004
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Assets					
Current Assets:					
Cash and Investments	\$ 22,444	\$ 7,228	\$ 15,513	\$ 45,185	\$ 21,177
Cash and Investments -- Restricted	38,427	-	-	38,427	-
Receivables:					
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	3,599	6,082	184	9,865	521
Other	-	-	2,509	2,509	-
Due From Other Governments	-	2,474	18,532	21,006	222
Inventories	-	415	1,695	2,110	872
Prepaid Items	-	-	302	302	110
Other Assets	-	-	156	156	-
Total Current Assets	<u>64,470</u>	<u>16,199</u>	<u>38,891</u>	<u>119,560</u>	<u>22,902</u>
Capital Assets:					
Land and Land Improvements	132,205	1,627	8,830	142,662	13,083
Building and Improvements	224,591	36,255	58,159	319,005	109,262
Furniture, Vehicles and Equipment	7,676	6,229	160,645	174,550	71,103
Construction in Progress	42,146	1,220	8,272	51,638	13,294
Total Capital Assets	<u>406,618</u>	<u>45,331</u>	<u>235,906</u>	<u>687,855</u>	<u>206,742</u>
Less Accumulated Depreciation	<u>(196,621)</u>	<u>(35,005)</u>	<u>(110,707)</u>	<u>(342,333)</u>	<u>(141,202)</u>
Net Capital Assets	<u>209,997</u>	<u>10,326</u>	<u>125,199</u>	<u>345,522</u>	<u>65,540</u>
Total Assets	<u>\$ 274,467</u>	<u>\$ 26,525</u>	<u>\$ 164,090</u>	<u>\$ 465,082</u>	<u>\$ 88,442</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 676	\$ 4,361	\$ 3,124	\$ 8,161	\$ 2,238
Accrued Liabilities	2,008	6,286	8,219	16,513	14,189
Due To Other Governments	40	-	-	40	-
Deferred Revenues	6,810	442	1,544	8,796	262
Bonds Payable-Current Portion	10,063	218	904	11,185	5,447
Other Liabilities	20	309	6,832	7,161	-
Total Current Liabilities	<u>19,617</u>	<u>11,616</u>	<u>20,623</u>	<u>51,856</u>	<u>22,136</u>
Long-Term Liabilities:					
Bonds Payable -- Long-Term	22,694	4,599	23,614	50,907	37,603
Bonds Payable -- Revenue Bonds	115,797	-	-	115,797	-
Compensated Absences	1,271	4,232	10,705	16,208	3,095
Other Liabilities	-	-	7,582	7,582	-
Total Long-Term Liabilities	<u>139,762</u>	<u>8,831</u>	<u>41,901</u>	<u>190,494</u>	<u>40,698</u>
Total Liabilities	<u>159,379</u>	<u>20,447</u>	<u>62,524</u>	<u>242,350</u>	<u>62,834</u>
Net Assets					
Unrestricted	1,814	569	885	3,268	3,118
Restricted for:					
Debt	9,505	-	-	9,505	-
Other	3,899	-	-	3,899	-
Invested in Capital Assets, Net of Related Debt	<u>99,870</u>	<u>5,509</u>	<u>100,681</u>	<u>206,060</u>	<u>22,490</u>
Total Net Assets	<u>115,088</u>	<u>6,078</u>	<u>101,566</u>	<u>222,732</u>	<u>25,608</u>
Total Liabilities and Net Assets	<u>\$ 274,467</u>	<u>\$ 26,525</u>	<u>\$ 164,090</u>	<u>\$ 465,082</u>	<u>\$ 88,442</u>

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004
(In Thousands)

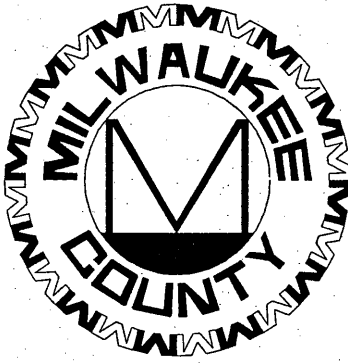
	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Operating Revenues:					
Charges for Services:					
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ -	\$ 47,176	\$ -	\$ 47,176	\$ -
Net Patient Service Revenues	-	47,176	-	47,176	-
Rentals and Other Service Fees	42,231	189	142	42,562	39,671
Admissions and Concessions	9,738	8	-	9,746	-
Transit Fares	-	-	41,798	41,798	-
Total Charges for Services	51,969	47,373	41,940	141,282	39,671
Other Revenues	4	11,121	3,683	14,808	396
Total Operating Revenues	51,973	58,494	45,623	156,090	40,067
Operating Expenses:					
Personnel Services	12,966	65,569	105,253	183,788	34,945
Contractual Services	10,668	8,837	22,588	42,093	11,490
Intra-County Services	9,125	2,863	754	12,742	2,570
Commodities	1,242	6,992	8,830	17,064	3,678
Depreciation and Amortization	13,115	759	12,882	26,756	9,001
Maintenance	256	(29)	873	1,100	933
Other	473	61,861	1,752	64,086	6,268
Total Operating Expenses	47,845	146,852	152,932	347,629	68,885
Operating Income (Loss)	4,128	(88,358)	(107,309)	(191,539)	(28,818)
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	1,158	54,780	77,108	133,046	497
Investment Income	794	-	-	794	-
Interest Expense	(6,702)	(203)	(1,071)	(7,976)	(2,025)
Total Nonoperating Revenues (Expenses)	(4,750)	54,577	76,037	125,864	(1,528)
Income (Loss) Before Contributions and Transfers	(622)	(33,781)	(31,272)	(65,675)	(30,346)
Capital Contributions	11,268	(456)	14,155	24,967	4,835
Transfers In	-	33,336	21,016	54,352	27,787
Transfers Out	(3,362)	-	(1,218)	(4,580)	(1,126)
Changes in Net Assets	7,284	(901)	2,681	9,064	1,150
Net Assets -- Beginning	107,804	6,979	98,885	213,668	24,458
Net Assets -- Ending	\$ 115,088	\$ 6,078	\$ 101,566	\$ 222,732	\$ 25,608

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(In Thousands)

	Business-Type Activities -- Enterprise Funds				Governmental Activities -- Internal Service Funds
	Airports	Behavioral Health Division	Transit System	Total	
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 58,646	\$ 56,289	\$ 27,209	\$ 142,144	\$ 40,283
Payments to Suppliers	(12,496)	(77,452)	(23,475)	(113,423)	(22,040)
Payments to Employees	(13,030)	(66,861)	(110,338)	(190,229)	(35,289)
Payments for Interfund Services Used	(9,125)	(2,863)	(754)	(12,742)	(2,570)
Net Cash Provided (Used) by Operating Activities	<u>23,995</u>	<u>(90,887)</u>	<u>(107,358)</u>	<u>(174,250)</u>	<u>(19,616)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:					
Intergovernmental Revenues	1,158	54,780	77,108	133,046	497
Transfers From Other Funds	11,268	33,336	21,016	65,620	32,622
Transfers (To) Other Funds	(3,362)	-	(1,218)	(4,580)	(1,126)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>9,064</u>	<u>88,116</u>	<u>96,906</u>	<u>194,086</u>	<u>31,993</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:					
Principal Payment on Bonds	(8,726)	(223)	(871)	(9,820)	(4,922)
Interest Paid on Bonds	(6,601)	(193)	(1,024)	(7,818)	(2,038)
Proceeds from Bonds	37,228	137	1,703	39,068	3,514
Proceeds from Sale of Capital Assets	172	-	-	172	102
Acquisition of Capital Assets	(20,482)	(178)	(2,119)	(22,779)	(8,528)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>1,591</u>	<u>(457)</u>	<u>(2,311)</u>	<u>(1,177)</u>	<u>(11,872)</u>
Cash Flows Provided (Used) by Investing Activities:					
Investment Income	794	-	-	794	-
Net Cash Flows Provided (Used) by Investing Activities	<u>794</u>	<u>-</u>	<u>-</u>	<u>794</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,444	(3,228)	(12,763)	19,453	505
Cash and Cash Equivalents at Beginning of Year	25,427	10,456	28,276	64,159	20,672
Cash and Cash Equivalents at End of Year	<u>\$ 60,871</u>	<u>\$ 7,228</u>	<u>\$ 15,513</u>	<u>\$ 83,612</u>	<u>\$ 21,177</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss):	\$ 4,128	\$ (88,358)	\$ (107,309)	\$ (191,539)	\$ (28,818)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:					
Depreciation and Amortization	13,115	759	12,882	26,756	9,001
(Increase) Decrease in Assets:					
Accounts Receivable	6,240	(1,962)	(16,930)	(12,652)	170
Other Receivables	-	2	(1,075)	(1,073)	-
Inventories	-	277	911	1,188	8
Prepaid Items	-	-	54	54	17
Other Assets	-	-	(50)	(50)	-
Increase (Decrease) in Liabilities:					
Accounts Payable	143	774	999	1,916	337
Accrued Liabilities	27	(1,168)	649	(492)	467
Increase in Deferred Compensation Plan	-	-	(6,239)	(6,239)	-
Due To Other Governments	40	(1,020)	-	(980)	-
Deferred Revenues	467	(245)	(359)	(137)	13
Compensated Absences	(91)	(124)	505	290	(811)
Other Liabilities	(74)	178	8,604	8,708	-
Total Adjustments	<u>19,867</u>	<u>(2,529)</u>	<u>(49)</u>	<u>17,289</u>	<u>9,202</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 23,995</u>	<u>\$ (90,887)</u>	<u>\$ (107,358)</u>	<u>\$ (174,250)</u>	<u>\$ (19,616)</u>

The notes to the financial statement are an integral part of this statement.



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COUNTY OF MILWAUKEE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004
(In Thousands)

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and Investments		
US Government Securities	\$ 26,518	\$ -
Notes and Bonds	535,302	-
Federal Agency and Mortgage	57,106	-
Real Estate Investments Trust	53,746	-
Common and Preferred Stocks	835,515	-
Venture Capital Investments	17,132	-
Deposits	7,814	39,270
Receivables:		
Pension Trust Fund Contribution	25,267	-
Accrued Interest and Dividends	6,484	-
Other	7,383	-
Securities Lending	111,140	-
Total Assets	<u>1,683,407</u>	<u>39,270</u>
<u>Liabilities</u>		
Accounts Payable	-	176
Agency Deposits	-	39,094
Securities Lending	111,140	-
Other Liabilities	22,155	-
Total Liabilities	<u>133,295</u>	<u>39,270</u>
<u>Net Assets</u>		
Held in Trust for Pension Benefits	<u>\$ 1,550,112</u>	<u>\$ -</u>

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended December 31, 2004
(In Thousands)

	<u>Total</u>
Additions:	
Contributions:	
County of Milwaukee	\$ 35,143
Plan Participants	711
	<u>35,854</u>
Investment Income	
Net Appreciation in Fair Value	146,747
Interest and Dividends	40,889
Other Income	707
Total Investment Income	<u>188,343</u>
Security Lending Income	1,621
Less: Security Lending Rebates and Fees	<u>(1,330)</u>
Net Security Lending Activity	<u>291</u>
Investment Expense	<u>(4,112)</u>
Net Investment Income	<u>184,522</u>
Total Additions	<u>220,376</u>
Deductions:	
Benefits Paid to Retirees and Beneficiaries	(161,369)
Administrative Expenses	(2,191)
Withdrawal of Membership Accounts	(154)
Total Deductions	<u>(163,714)</u>
Change In Plan Net Assets	56,662
Plan Net Assets Held In Trust for Pension Benefits	
Beginning of Year	<u>1,493,450</u>
End of Year	<u>\$ 1,550,112</u>

The notes to the financial statement are an integral part of this statement.

COUNTY OF MILWAUKEE
Combining Statement of Net Assets
Component Units
December 31, 2004
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
<u>Assets</u>					
Current Assets:					
Cash and Investments	\$ 5,350	\$ 366	\$ 535	\$ 1,548	\$ 7,799
Accounts Receivable	2,644	-	1,664	119	4,427
Inventories	871	-	-	-	871
Prepaid Items	275	-	16	12	303
Total Current Assets	<u>9,140</u>	<u>366</u>	<u>2,215</u>	<u>1,679</u>	<u>13,400</u>
Noncurrent Assets:					
Long Term Investments	1,183	-	-	242	1,425
Contributions Receivable	426	-	-	-	426
Capital Assets (Net of Accumulated Depreciation)	23,509	-	1,972	-	25,481
Other	784	-	165	451	1,400
Total Other Assets	<u>25,902</u>	<u>-</u>	<u>2,137</u>	<u>693</u>	<u>28,732</u>
Total Assets	<u>\$ 35,042</u>	<u>\$ 366</u>	<u>\$ 4,352</u>	<u>\$ 2,372</u>	<u>\$ 42,132</u>
<u>Liabilities</u>					
Current Liabilities:					
Accounts Payable	\$ 1,256	\$ -	\$ 1,468	\$ 192	\$ 2,916
Accrued Liabilities	678	-	582	6	1,266
Accrued Interest Payable	165	-	-	-	165
Deferred Revenues	904	-	12	-	916
Notes Payable	1,500	-	83	50	1,633
Other Liabilities	66	-	55	68	189
Total Current Liabilities	<u>4,569</u>	<u>-</u>	<u>2,200</u>	<u>316</u>	<u>7,085</u>
Noncurrent Liabilities:					
Capital Leases -- Long-term	114	-	-	-	114
Accrued Pension and Postretirement Benefits	2,525	-	-	-	2,525
Bonds and Financing Charges Payable	15,006	-	2,014	-	17,020
Total Noncurrent Liabilities	<u>17,645</u>	<u>-</u>	<u>2,014</u>	<u>-</u>	<u>19,659</u>
Total Liabilities	<u>22,214</u>	<u>-</u>	<u>4,214</u>	<u>316</u>	<u>26,744</u>
<u>Net Assets</u>					
Unrestricted	(546)	137	180	1,958	1,729
Restricted	4,871	229	-	98	5,198
Invested in Capital Assets, Net of Related Debt	8,503	-	(42)	-	8,461
Total Net Assets	<u>12,828</u>	<u>366</u>	<u>138</u>	<u>2,056</u>	<u>15,388</u>
Total Liabilities and Net Assets	<u>\$ 35,042</u>	<u>\$ 366</u>	<u>\$ 4,352</u>	<u>\$ 2,372</u>	<u>\$ 42,132</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2004
(In Thousands)

	<u>Museum</u>	<u>War Memorial Center</u>	<u>Private Industry Council</u>	<u>Research Park Corporation</u>	<u>Total</u>
Revenues:					
Intergovernmental	\$ 1,107	\$ -	\$ 20,589	\$ -	\$ 21,696
Interest on Investments and Rents	723	2,075	-	39	2,837
County Program Support	4,085	2,455	-	-	6,540
Charges for Services:					
Contributions and memberships	5,115	878	93	832	6,918
Other	7,196	-	-	-	7,196
Other	-	1,675	3	2,672	4,350
Total Revenues	<u>18,226</u>	<u>7,083</u>	<u>20,685</u>	<u>3,543</u>	<u>49,537</u>
Expenses:					
Human Services	-	-	20,729	-	20,729
Public Works and Highways	-	-	-	895	895
Parks, Recreation and Culture	19,689	7,064	-	1,937	28,690
Total Expenses	<u>19,689</u>	<u>7,064</u>	<u>20,729</u>	<u>2,832</u>	<u>50,314</u>
Changes in Net Assets	(1,463)	19	(44)	711	(777)
Net Assets -- Beginning	14,291	347	182	1,345	16,165
Net Assets -- Ending	<u>\$ 12,828</u>	<u>\$ 366</u>	<u>\$ 138</u>	<u>\$ 2,056</u>	<u>\$ 15,388</u>

The notes to the financial statements are an integral part of this statement.



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Milwaukee County
Notes to the Financial Statements
December 31, 2004
(Amounts Expressed in Thousands)

Note 1-Summary of Significant Accounting Policies

The County of Milwaukee, Wisconsin (the "County") incorporated in 1835, is a governmental entity established by laws of the State of Wisconsin and has the power of a body corporate, as defined by s. 59.01 of the statutes of the State of Wisconsin. The Board of County Supervisors (the "Board") governs the County. The Board consists of nineteen members who are elected by the citizens of Milwaukee County. The County also elects seven principal officials who are the County Executive, the County Treasurer, the District Attorney, the County Clerk, the Clerk of Courts, the Sheriff and the Register of Deeds.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

A. The Reporting Entity

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. As defined by Governmental Accounting Standards Board (GASB) Statement No. 14, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County is financially accountable for the organization if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may also be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

In 2004, Milwaukee County adopted Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units" which established additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units as defined in paragraph 9 of Statement 14.

Governmental Accounting Standards Board (GASB) Statement No. 39 provides clarification of the provisions to include organizations in the reporting entity. GASB Statement No. 39 states that "certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents, (2) the primary government, or its component units, is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government".

There are two ways to report component units; blended component units and discretely presented component units. Blended component units are legally separate entities that are in substance part of the County government operations, as they either have governing bodies that are substantively the same as the Board or they provide their services exclusively or almost exclusively to the County government. Milwaukee County has no blended component units.

Discretely presented component units are legally separate entities, which do not meet the criteria for blending. The discretely presented component units are presented as a separate column in the government-wide financial statements and individually in the combining statements for component units in the fund financial statements to emphasize that they are legally separate.

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Discretely Presented Component Units

The County complies with the provisions of GASB Statement No.14 and GASB Statement No. 39, in defining the reporting entity and its component units. Based on the criteria stated in paragraph number one and paragraph number three above, four entities within the County were determined to be discretely presented component units as the County is financially accountable for the organization and/or because of the nature and significance of the relationship between the County and the organization. These legally separate organizations have been included as component units within the financial statements of Milwaukee County because the County has the ability to appoint the voting majority of the organization's governing body, the organizations have the potential to impose specific financial burdens on the County, the economic resources received or held by the separate organization are entirely for the direct benefit of the County or its constituents, the County is entitled to or has the ability to access a majority of the economic resources held or received by the separate organization, and the economic resources received or held by the individual organization that the County is entitled to or has the ability to access are significant to the County. As required by generally accepted accounting principles (GAAP), the financial statements of the reporting entity include those of Milwaukee County, the primary government, and its four component units which are discretely presented.

The Milwaukee County War Memorial Center, Inc ("The Center") is a non-profit organization organized to operate and maintain the War Memorial Center, the Villa Terrace Art Museum, the Charles Allis Art Museum, and the Marcus Center for the Performing Arts. The Center also provides services to the Milwaukee Art Museum. The governing board of the Center consists of fifteen members who oversee the day-to-day operations. The County Executive appoints four board members. The Board of County Supervisors appoints four other board members. The Center has a December 31st year-end.

The Milwaukee Public Museum, Inc ("The Museum"), is a non-profit natural history museum, whose purpose is to preserve and protect the collections of the museum and to educate the public through exhibits and research into natural history. The governing body of the Museum consists of a twenty-seven member Board of Directors who oversees the day-to-day operations. The Museum Board appoints 18 members, the County Executive appoints five members, and the County Board Chairman appoints four members. The Museum has a fiscal year ending August 31st. Financial information included for the Milwaukee Public Museum is from the August 31, 2003 audited financial statements. The 2004 financial statement audit for the Museum has not yet been completed.

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Discretely Presented Component Units (continued)

The Milwaukee County Research Park Corporation, (“The Corporation”) is a non-stock, non-profit organization whose purpose is to advance the economic and social interest of the community. The Corporation was formed solely for the purpose of developing a research and technology park on parts of the Milwaukee County Institution Grounds that are not required for medical or health institution purposes. The governing body of the Corporation consists of a fifteen-member board. The County Executive appoints ten of the members and the County Board Chairman appoints five members. The Corporation has a year ending December 31st.

The Private Industry Council of Milwaukee County Inc., A Workforce Development Board, (“The PIC”) ,is a workforce development board that is a public/private partnership between government and business that plans, administers, and coordinates employment and training programs for adults and youth in Milwaukee County. The County Executive appoints the thirty-two-member board of directors, which is comprised of representatives from various segments of business, education, labor, and community-based organizations. A majority of the board members must be from the private sector. The PIC has a fiscal year ending June 30th.

Complete financial statements for each of the individual component units may be obtained at the entity’s administrative offices listed below.

Milwaukee County War Memorial Center
750 North Lincoln Memorial Drive
Milwaukee, WI 53202

Milwaukee Public Museum, Inc
800 West Wells Street
Milwaukee, WI 53233

Milwaukee County Research Park Corporation
10437 Innovation Drive
Wauwatosa, WI 53226

The Private Industry Council
of Milwaukee County
2338 N. 27th Street
Milwaukee, WI 53210

Related Organizations

The County Executive of the County is responsible for appointing the members of the board of the following organization, but the County’s accountability for this organization does not extend beyond making the appointments.

Note 1-Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Related Organizations (continued)

Milwaukee County Federated Library System- The County Executive appoints the seven-member board. One board member is required to be a county board supervisor. Created according to state statute s. 43.15, it is a co-operative of the fifteen public libraries within Milwaukee County, who allow cross border borrowing, in exchange for technological services.

B. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of the primary government and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Note 1-Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

Government-Wide Financial Statements (continued)

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds, proprietary funds, component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County applies GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," when accounting for and reporting intergovernmental revenue transactions. The governmental fund financial statements report these revenues when entitlements to those resources have occurred and all grant requirements have been met. In the government-wide and proprietary fund financial statements these revenues are recognized when entitlement to the resources have occurred and grant requirements have been met, regardless of the timing of the revenues. State shared revenues are recognized as revenues in the governmental funds when the County is entitled to these funds. Intergovernmental grants received for proprietary fund operating purposes, or which may be utilized for either operations or capital expenditures at the discretion of the County, are recognized as non-operating revenues in the accounting period in which they are earned. Intergovernmental grants restricted for the acquisition or construction of capital assets in the proprietary funds are recorded as a component of income.

Note 1-Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County considers intergovernmental revenues to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes, intergovernmental revenues, sales taxes, investment income, rents, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, fines and forfeitures and all other revenue items are considered to be measurable and available only when the county receives cash. Uncollected property taxes of municipalities within the County are purchased and then collected by the County. There is no recourse to the municipalities for the collection of these taxes. The County uses an eight-month availability period for these receivables of approximately \$ 6.8 million.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In

Note 1-Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

Proprietary Funds (continued)

the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The enterprise fund activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Proprietary fund operating expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt is recorded as a liability in the fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Presentation

The County has presented the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund accounts for the resources segregated for the acquisition or construction of major capital facilities.

Note 1-Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

The County has presented the following major proprietary funds:

The Airport Fund accounts for the operations of General Mitchell International and Timmerman Airports. Airport passenger facility charges and related capital expenditures are not accounted for in the airport's enterprise fund but are accounted for as a special revenue fund.

Behavioral Health Fund accounts for the operation and activities of the mental health facility that provides care and treatment to emotionally and mentally ill adults, children and adolescents on an outpatient, partial hospitalization and inpatient basis.

The Transit System Fund accounts for the activities of the Milwaukee County Transit System and the Paratransit System. The Transit System provides public transportation in the Milwaukee metropolitan area and is managed by Milwaukee Transit Services, Inc.; a private non-profit corporation. The Paratransit System is also operated by Milwaukee Transport Services, Inc., to provide transportation, using private vendors, for passengers who meet the paratransit eligibility requirements.

The County has presented the following non-major funds and other fund types:

Special Revenue Funds account for endowments, bequests and restricted donations, where the principal may be expended in the course of their designated operations. The specific purpose of each fund is as follows:

Zoo- Purchase of animals and maintenance of the miniature passenger railroad.

Parks- Enhancement of the Todd Wehr Nature Center and restoration of the Trimborn Farm as a historic park.

Persons with Disabilities- Special projects to help free disabled persons from environmental and attitudinal barriers.

Behavioral Health Division- Mental health research, patient activities and special events.

Airport PFC- (Passenger Facility Charge)- Federal Aviation Administration (FAA) approved capital projects at the Airport.

Note 1-Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

Health and Safety- established for Risk Management to work with the countywide safety committee to address safety issues countywide. It also funds costs associated with new employee screenings.

Internal Service Funds account for services provided to other departments and agencies of the government. Information Management Services, Public Works Services, and Risk Management are the County's internal service funds.

The Pension Trust Fund accounts for activities of the Employees' Retirement System and OBRA 1990 Retirement System of the County of Milwaukee. This fund accumulates resources for pension benefit payments to qualified Milwaukee County employees. Substantially all full and part-time employees of the County participate in these single-employer defined benefit plans.

Agency Funds are custodial in nature and are used to account for resources held by the County as an agent for individuals, private organizations and other governmental units. The significant agency fund within the County is the Civil Court-ordered Family Support/ Payments.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

To facilitate cash management of the County's resources, cash and investments are pooled in common accounts. All cash and investments pooled in common accounts are considered cash equivalents for the purposes of the statements of cash flows. The cash and investment balance in each fund, except for the Transit System, Special Revenue, and Agency Funds, and certain reserves of the Airport Fund represents the equity in these pooled resources. Substantially all of the deposits and investments of the Transit System, Special Revenue, and Agency Funds are held separately from those of other County funds. The Airport Fund holds certain reserves under Revenue Bond restrictions separately. The resources of the Special Revenue and Agency funds are restricted and are not available to the County to finance its operations.

Statutes authorize the County to invest in State-authorized financial institution time deposits that mature in not more than three years, bonds or securities issued or guaranteed as to principal and interest by the Federal government, bonds or securities of any municipality of the State, securities that mature not more than ten years from the date on which the security was acquired and which has a rating in one of the two highest categories assigned by a nationally-recognized rating agency, repurchase agreements secured by funds or securities

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

1. Deposits and Investments (continued)

issued or guaranteed as to principal and interest by the Federal government, and local government pooled investment funds. In addition, the Pension Board, as administrator of the Pension Trust Fund, is authorized to invest in all types of investments deemed appropriate.

All investments are stated at fair value including investments in the Pension Trust fund.

2. Receivables

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Milwaukee County has no "Advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds".

Amounts due from private individuals, organizations or other governments, which pertain to charges for services rendered by County departments are reported as accounts receivable. Receivables are reviewed periodically to establish or update the allowance for doubtful amounts. All trade receivables for the Business-type funds are shown net of an allowance for uncollectibles.

Property tax receivables represent the taxes levied on or before December 31, the lien date. Taxes are recognized in the governmental funds as revenue in the year, when they are available to finance county services. Since these property tax receivables are not available for the current fiscal year, they are fully reflected as deferred revenues.

Property taxes are levied on or before December 31, the lien date, on the equalized value, which is computed from January 1, the assessment date, of all general property located in the County, excluding tax incremental financing districts to finance the subsequent fiscal year. The taxes are due on the last day of January but may be paid in two or more installments, depending on local ordinance.

Delinquent property tax receivable is comprised of the unpaid property taxes the County purchases from other taxing authorities, except the City of Milwaukee, to facilitate the collection of taxes. The purchases are a financing arrangement and are reflected as a reservation of fund balance at year-end for amounts

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

2. Receivables (continued)

considered unavailable. The County's portion of uncollected property taxes within the boundaries of the City of Milwaukee is sold at the unpaid balance to the City each year.

Interest is earned on investments and delinquent property taxes. Accrued interest at the end of the year on delinquent taxes, that is not collectable within sixty days are reflected as deferred revenue in the governmental funds.

3. Inventory and Prepaid Items

Inventories are valued at average cost or current cost, which approximates the first-in/first-out (FIFO) method. Inventories in the governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the 2000, 2003, and 2004 Airport enterprise fund revenue bonds, as well as certain resources set aside for repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. As stated earlier (see item 1 under section D in the notes), the Special Revenue and Agency funds are also restricted resources and are not available to the County to finance its operations. The Airport Revenue Bond Interest and Principal Account is used to segregate resources accumulated for the semi-annual debt service payments. The Airport Revenue Bond Debt Service Reserve Account is used to report resources set aside to make up for any future deficiencies that may occur in the Airport Revenue Bond Principal and Interest Account. In addition, the Airport Revenue Bonds require that fund equity be reserved for Debt Coverage, and Operations and Maintenance Reserves. The Debt Coverage Reserve Account and the Operations and Maintenance Reserve Account are used to report resources set aside to subsidize potential deficiencies from the Airport operation that could adversely affect debt service payments. When both restricted and unrestricted resources are available to make certain payments, the County uses unrestricted resources to liquidate payments. In addition, at the end of 2004, the Airport had \$ 26,889 of 2004 revenue bond proceeds that was unspent and for purposes of this report are considered restricted.

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

4. Restricted Assets (continued)

In addition, the County restricted \$ 5.0 million of contributed assets for a \$ 16.2 million debt guarantee made by the County on behalf of a local company.

The County provided the guarantee in return for a mortgage on specific assets of the company plus \$ 5.0 million of cash provided by the company and the State of Wisconsin. These funds act as a debt reserve.

Under a contract agreement between the State of Wisconsin Department of Health and Family Services and the County's Department on Aging Care Management Organization, the County is required to restrict cash of \$ 2,250. This restricted cash is for both a restricted reserve and a solvency reserve under the contract.

5. Capital Assets

Government-wide Statements

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, drainage, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$ 2.5 and an estimated useful life in excess of one year. The exception to this is for purchases of data processing equipment in which the initial individual cost has to be more than \$ 0.5. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets received as gifts or donations are recorded at estimated fair market value at the time of receipt.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized at cost when purchased or constructed and updated for the cost of additions and retirements during the year.

Property, plant, equipment, and infrastructure of the primary government and its component units are depreciated using the straight-line method over the following estimated useful lives:

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

5. Capital Assets (continued)

Government-wide Statements (continued)

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Land Improvements	20-25
Vehicles	5-12
Office Equipment	5-10
Building Improvements	20
Infrastructure	20
Computer Equipment	5

The County owns a collection of zoo animals and a collection of museum historical artifacts.

The County's collection of zoo animals and museum historical artifacts meet the definition of a capital asset and normally should be capitalized and reported in the financial statements. However, the requirement of capitalization is waived for collections meeting all of the following conditions, 1) the collection is held for reasons other than financial gain. 2) The collection is protected, kept unencumbered, cared for, and preserved. 3) The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

With regard to the collection of zoo animals and in accordance with industry practice, animal collections are recorded at the nominal amount of \$ 1 (one), as there is no objective basis for establishing value. Additionally, animal collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions are recorded as expenditures in the period of acquisition. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the County shares animals with other organizations. Consistent with industry practice, the County does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

The County has elected not to capitalize the collection of museum historical artifacts because these assets meet the criteria stated above that qualify the collections for exemption from the capitalization requirement.

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

5. Capital Assets (continued)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Compensated Absences

County employees are granted sick and annual vacation leave in varying amounts in accordance with administrative policies and union contracts. County employees are requested to use all accumulated vacation time earned before the end of the subsequent calendar year. In the event of termination or retirement, the employees are paid for accumulated vacation days.

Generally, accumulated sick pay is forfeited upon termination other than retirement. When an employee retires, accumulated sick leave benefits vest. Most represented employees are entitled to full payment for accumulated sick pay upon retirement. Non-represented employees who retire are entitled to payment for accumulated sick leave up to a maximum of 400 hours plus 16 hours per 100 hours, or fraction thereof, of accrued sick leave in excess of the 400 hours, instead of full payment for all accumulated sick leave. Payments for sick pay benefits for retirement were approximately \$ 2,667 in 2003 and \$ 13,214 in 2004.

Amounts of vacation and sick pay earned and vested by employees have been accrued in the government-wide and proprietary fund financial statements. The short-term portions of compensated absences are classified as current liabilities. For the business-type activities and governmental activities the short-term portion is \$ 9,601 and \$ 19,624, respectively. The long-term portion of compensated absences generally for sick leave payable upon retirement is classified as compensated absences. Amounts paid to employees in the governmental fund types within 60 days of year-end have been recorded in the governmental funds.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

7. Long-term Obligations (continued)

discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The 1993 Refunding Bonds included zero coupon bonds, which were sold at a deep discount. These zero coupon bonds mature in the last three years of the bond issue beginning in 2009. The discount on the 1993 zero coupon bonds are amortized as accretion (interest expense) over the life of the bonds in the government-wide and in the proprietary fund type financial statements.

8. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted cash assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets- Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

8. Equity Classifications (continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicated it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Statutes of the State of Wisconsin require that the surplus/deficit of all departments of the County be determined in accordance with GAAP based on fund financial statements. The amount of any surplus/deficit of the current year is reserved by County Ordinance 32.91(4) a (4) and is used to reduce/increase property tax levy in the subsequent budget period.

The Board of Supervisors may by two-thirds vote, adopt a resolution prior to the adoption of the tax levy authorizing the use of the surplus in whole or in part to retire outstanding general obligation bonds of the County. The Board of Supervisors may also by two-thirds vote adopt a resolution authorizing the surplus to be used to provide funds for emergency needs, as defined under the Statutes. The surplus cannot be used for any other purposes except those stated above.

9. Allowance for Doubtful Accounts

The County's Behavioral Health Fund provides an allowance for all third-party payers such as Medicare, Medicaid, HMO's, and other types of health insurance. For all third-party payers a contractual revenue adjustment is accrued in the current year of operations for the difference between billed charges and expected reimbursement. In as much as the adjustment is an estimate, any difference between the amount accrued and the amount settled is recorded in operations in the year of settlement. At December 31, 2004, this allowance was \$ 7,406. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at December 31, 2004. All allowances are netted against receivables for financial statement presentation.

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

10. Capitalization of Interest

Interest is capitalized on business-type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During 2004, the amount of capitalized interest was \$ 614.

11. Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U. S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. The County uses the "revenue reduction" approach in accounting for rebateable arbitrage. This approach treats excess earnings as a reduction of revenue. The liability for rebateable arbitrage was \$ 1,399 as of December 31, 2004 and is recorded in the Debt Service Fund.

12. Landfill Post-Closure Costs

Under the terms of current state and federal regulations, the County is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The County recognizes these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and post-closure costs are recognized in the governmental activities.

13. Capital Contributions

The capital contributions accounted for in the proprietary fund types represent contributions from other funds and state and federal grant programs. The contributions amount is reported after non-operating revenues and expenses on the statement of revenues, expenses, and changes in fund net assets in accordance with GASB Statement 33.

14. Deferred Revenues

Deferred revenues reported in the government-wide and proprietary financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the

Note 1-Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

14. Deferred Revenues (continued)

accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

15. Pension Obligations

Pension expenditures of governmental fund types are recognized on the modified accrual basis; which means that the amount of pension expense recognized is equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources. In the government-wide and proprietary financial statements, pension expense is recognized on the accrual basis; which means that the amount recognized in the current period is equal to annual pension cost. The pension obligation/asset represents the difference between the annual required contribution plus interest net of payments.

16. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances of purchase orders, contracts and other commitments for the expenditure of funds are recorded as reservation of fund balance until expended. Encumbrances are not reflected as expenditures. Encumbrance appropriations are recorded as reservations of fund balance and are liquidated in subsequent years. Every appropriation lapses at December 31, to the extent that it has not been expended or encumbered. Expenditures are recorded and encumbrances are liquidated when the services or materials are received.

17. Claims and Judgments

Claims and judgments are recorded as liabilities when the conditions of Statement of Financial Accounting Standards No. 5 have been met. Claims and judgments are liquidated with expendable available financial resources and are recorded during the year as expenditures in the governmental funds. If they are not liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Note 2- Stewardship, Compliance, and Accountability

Budgetary Information

All County departments are required to submit their annual budget requests for the ensuing year to the County Executive by June 15. The Department of Administration, acting as staff for the County Executive, reviews the requests in detail with the departments during June, July and August. After all of the requests have been reviewed, the County Executive submits his proposed Executive Budget to the Board of Supervisors. County Ordinance requires that this be done on or before October 1. The Board of Supervisors must complete its review and adopt the budget on or before the first Tuesday after the second Monday in November.

All adopted budgets for the governmental funds are prepared in accordance with the modified accrual basis of accounting, except for the treatment of the fund balance- reserve for 2004 appropriations and encumbrances. For budget purposes, fund balance-reserved for 2004 appropriations – is reflected as other financing sources whereas, for accounting purposes, it is reflected as part of fund balance. For budget purposes, encumbrances are recorded as expenditures as opposed to a reservation of fund balance.

The Board of Supervisors legally adopts annual budgets for the general, debt service, capital projects, enterprise and internal service funds. The legal level of budgetary control is by department. For budget purposes, the Debt Service and Capital Projects Funds are considered departments. Once the budget is adopted, transfers of appropriations among departments require approval by the board of supervisors and are permitted only during the last three months of the year. Supplemental appropriations for the purpose of public emergencies may be made from unanticipated revenues received or surplus earned, as defined by resolution adopted by a vote of two-thirds of the members of the board of supervisors. Supplemental appropriations from the issuance of tax anticipation notes require an affirmative vote of three-fourths of the members of the board of supervisors. During the 2004 fiscal year, the Board of Supervisors adopted no supplemental appropriations.

Budgetary Basis of Accounting

The “Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Budgetary Basis)- General Fund ” is prepared on a basis consistent with the legally adopted budget. Under this method, encumbrances outstanding are charged to budgetary appropriations and considered as expenditures of the current period. In addition, Fund Balance Reserved for 2004 Appropriations is available for financial expenditures and is reflected as other financing sources (uses). The “Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds” is prepared on a basis consistent with GAAP. Under this method, encumbrances are

Note 2- Stewardship, Compliance, and Accountability (continued)

Budgetary Basis of Accounting (continued)

considered a reservation of fund balance and charged to expenditures in the period in which goods or services are received. Encumbrance amounts at year-end are reflected as a component of the Fund Balance titled "Fund Balance (Deficit) Reserved for Encumbrances". A reconciliation for the General Fund follows:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 677,161	\$ (101,506)
Encumbrances	7,104	-
Reserved for 2004 Appropriation	-	4,009
Transfers to Component Units	(6,359)	(6,359)
Non-GAAP Budgetary Basis	<u>\$ 677,906</u>	<u>\$ (103,856)</u>

Appropriations lapse at year-end except for capital projects, which are carried forward to the subsequent year.

County Tax Rate Limit

Section 59.605 of the Wisconsin Statutes imposes a limit on the property tax rate that the County can impose upon its citizens. Separate limits were imposed for operating levy rates and debt service levy rates of \$ 4.08 per \$ 1,000 of equalized value and \$ 1.42 per \$ 1,000 of equalized value, respectively. For 2004, the County's actual operating and debt service levy rates were \$ 4.02 per \$ 1,000 of equalized value and \$.73 per \$ 1,000 of equalized value, respectively.

Note 3- Deposits and Investments

Deposits

The carrying amount of the County's deposits at December 31, 2004 was \$ 60,742 and the bank balance was \$ 69,297. Of the bank balance, \$ 11,428 was covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund, \$ 14,476 was collateralized, and \$43,393 was uninsured and uncollateralized.

Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Investments not evidenced by securities are not categorized. The categories for investments are:

Note 3- Deposits and Investments (continued)

Investments (continued)

- 1) Insured or registered securities, held by the custodian (the County's agent) in the County's name.
- 2) Uninsured and unregistered, with the securities held by the custodian (the County's agent), in the County's name
- 3) Uninsured and unregistered, with the securities held by the custodian (the County's agent), but not in the County's name.

The County's deposits have been categorized to give an indication of the level of custodial credit risk assumed. This risk categorization does not reflect market risk. The categories are:

- 1) Insured or collateralized with securities held by the County or by its agent in the County's name.
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
- 3) Uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the County's name.

<u>Investments</u>	<u>Category</u>			<u>Total</u>	<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
US Government Securities	\$ 26,518	\$ 83,813	\$ -	\$ 110,331	\$ 110,331
Notes and Bonds	535,302	1,034	-	536,336	536,336
Federal Agency & Mortgage	57,106	62,931	-	120,037	120,037
Real Estate Investments Trust	53,746	-	-	53,746	53,746
Common & Preferred Stocks	835,514	-	-	835,514	835,514
Total	1,508,186	147,778	-	1,655,964	1,655,964
<u>Deposits</u>					
Deposits	11,428	14,476	43,393	69,297	60,742
	<u>\$ 1,519,614</u>	<u>\$ 162,254</u>	<u>\$ 43,393</u>	<u>\$ 1,725,261</u>	<u>1,716,706</u>
<u>Uncategorized</u>					
Venture Capital Investment					17,132
Total Cash and Investments					<u>\$ 1,733,838</u>

Note 3- Deposits and Investments (continued)

Investments (continued)

Reconciliation of Cash and Investments:

Statement of Net Assets:

Cash and Investments	\$	117,973
Cash and Investments- Restricted		43,462
Subtotal		161,435

Statement of Fiduciary Net Assets:

Cash and Investments		
Pension Trust Fund		1,533,133
Agency Fund		39,270
Total	\$	1,733,838

Substantially all of the Pension Trust Fund investments of approximately \$ 1,533,133 are held in accounts at the Depository Trust Company, Wall Street Trust Company and the Federal Reserve Bank, for Boston Safe Deposit & Trust Company, as trustee and custodial agent for the Employees' Retirement System of the County of Milwaukee. Bank safekeeping agents in the County's name hold all general County investments.

The County applies GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools". GASB Statement No. 31 requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The Pension Trust Fund had a cash and investment fair value as of December 31, 2004 of \$1,533,133. It has been the County's policy to account for these investments at fair value and recognize the corresponding change in the fair value of the investments in the year in which the change occurred.

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Note 3- Deposits and Investments (continued)

Investments (continued)

Reconciliation of Pension Fund Cash and Investments

	<u>Total Fair Value</u>
Investments-Category 1	
Domestic and Preferred common stocks	\$ 582,860
Corporate Bonds	492,912
International Common and preferred stocks	252,654
Federal Agency and Mortgage-Backed Certificates	57,106
International Fixed Income	42,390
US Government Obligations	26,518
Real Estate Investments Trusts	53,746
Total	1,508,186
Investments- Not Categorized	
Venture-Capital	17,132
Deposits-Category 1	7,815
Total	<u><u>\$ 1,533,133</u></u>

The County investment portfolio, excluding the Pension Trust Fund, was \$ 200,705 ("investments for governmental services") as of December 31, 2004. In accordance with GASB Statement No. 31, the County has recorded these investments at fair value. It is the County's policy for these investments for governmental services to hold them to maturity. As a result, the County attempts to limit its exposure to the annual fluctuation in gains and losses in fair value by recording any fair value in excess of book value in the balance sheet as Fund Balance, Unreserved-Designated for Investments. For any year where the fair value is less than book value, this fund balance will be adjusted to zero, and any prior year reserve balance will become available fund balance. As of December 31, 2004, the fair value in excess of book value was zero.

During the year, the County invested in various overnight or short-term repurchase agreements. No losses were incurred on these investments. Statutes permit the County to enter into reverse repurchase agreements; that is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities' underlying reverse repurchase agreements normally exceeds the collateral received providing the dealers a margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The County did not have an investment in repurchase agreements at December 31, 2004.

Note 3- Deposits and Investments (continued)

Investments (continued)

The Pension Trust Fund participates in securities lending transactions. The Pension Trust Fund reports collateral received from securities lending transactions and the corresponding liability for the collateral in the Statement of Plan Net Assets. The interest income received on the collateral has been reported as security lending income. The costs of securities lending transactions have been reported separately as expenditures. See Note 15.

Note 4- Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectibles accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 3,996	\$ -	\$ -	\$ -	\$ 3,996
Taxes:					
Current Levy	226,721	-	-	-	226,721
Delinquent	8,337	-	-	-	8,337
Accounts	2,109	-	2	521	2,632
Notes	6,650	5,293	-	-	11,943
Other	12,297	-	9	1	12,307
Due from Other Governments	<u>49,491</u>	<u>-</u>	<u>16,539</u>	<u>222</u>	<u>66,252</u>
Gross Receivables	309,601	5,293	16,550	744	332,188
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$309,601</u>	<u>\$ 5,293</u>	<u>\$ 16,550</u>	<u>\$ 744</u>	<u>\$332,188</u>

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Note 4- Receivables (continued)

At December 31, 2004 accounts receivable and the allowance for uncollectibles accounts of the Enterprise funds are as follows:

	<u>Airport</u>	<u>Behavioral Health Division</u>	<u>Transit System</u>	<u>Total</u>
Receivables:				
Accounts	\$ 3,599	\$ 13,488	\$ 184	\$ 17,271
Other	-	-	2,509	2,509
Due from Other Governments	-	2,474	18,532	21,006
Gross receivables	3,599	15,962	21,225	40,786
Less: allowance for uncollectibles	-	(7,406)	-	(7,406)
Net Total Receivables	<u>\$ 3,599</u>	<u>\$ 8,556</u>	<u>\$ 21,225</u>	<u>\$ 33,380</u>

The gross amount of notes receivable consisted of the following at December 31, 2004:

General Fund	\$ 6,650
Debt Service Fund	5,293
Total	11,943
Less: Allowance for Uncollectible Accounts	-
Net	<u>\$ 11,943</u>
Amounts Due Within One Year	<u>\$ 3,398</u>
Amounts Due In More Than One Year	<u>\$ 8,545</u>

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Note 4- Receivables (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Deferred Revenue - Governmental Activities:

2004 Property Tax Levy	\$ 225,884
Other Deferred Credits:	
Public Works Services	169
Information Management Systems	28
Risk Management	65
Other Deferred Revenue	2,059
Total	<u>\$ 228,205</u>

Deferred Revenue - Business-Type Activities:

Airport	\$ 6,810
Other Deferred Credits:	
Behavioral Health	442
Transit	1,544
Total	<u>\$ 8,796</u>

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Note 5- Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2004.

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 60,269	\$ -	\$ -	\$ 60,269
Construction in progress	38,063	24,950	(9,063)	53,950
Total Capital Assets, not being Depreciated	98,332	24,950	(9,063)	114,219
Capital Assets, Being Depreciated				
Land Improvements	196,241	923	-	197,164
Buildings	539,548	10,345	-	549,893
Fixed Equipment Buildings	23,255	3,866	-	27,121
Infrastructure	108,764	9,873	(763)	117,874
Machinery and Equipment	78,475	1,563	(62)	79,976
Vehicles and related Equipment	37,213	2,579	(2,028)	37,764
Furniture and Fixtures	1,038	16	-	1,054
Capital Lease Equipment	828	-	-	828
Total Capital Assets, Being Depreciated	985,362	29,165	(2,853)	1,011,674
Less: Accumulated Depreciation				
Land Improvements	(96,374)	(6,908)	-	(103,282)
Buildings	(232,516)	(18,938)	-	(251,454)
Fixed Equipment Buildings	(11,495)	(3,535)	-	(15,030)
Infrastructure	(39,869)	(5,919)	763	(45,025)
Machinery and Equipment	(39,821)	(6,137)	-	(45,958)
Vehicles and related Equipment	(22,612)	(2,843)	1,928	(23,527)
Furniture and Fixtures	(818)	(40)	-	(858)
Capital Lease Equipment	(828)	-	-	(828)
Total Accumulated Depreciation	(444,333)	(44,320)	2,691	(485,962)
Net Capital Assets Being Depreciated	541,029	(15,155)	(162)	525,712
Governmental Activities Capital Assets- Net	\$ 639,361	\$ 9,795	\$ (9,225)	\$ 639,931

Governmental activities capital assets, net of accumulated depreciation, at December 31, 2004 are comprised of the following:

General Capital Assets, Net	\$574,391
Internal Service Fund Capital Assets, Net	65,540
Total	<u>\$639,931</u>

Note 5- Capital Assets (continued)

Primary Government (continued)

Depreciation was charged to governmental functions as follows:

Legislative and Executive, and Staff	\$	3,175
Courts and Judiciary		61
General Governmental Services		2,445
Public Safety		6,159
Public Works and Highways		11,849
Human Services		2,631
Parks, Recreation, and Culture		11,841
Total	\$	<u>38,161</u>

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2004.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, <i>not being</i> Depreciated				
Land	\$ 20,759	\$ -	\$ -	\$ 20,759
Construction in progress	24,867	37,235	(10,464)	51,638
Total Capital Assets, <i>not being</i> Depreciated	45,626	37,235	(10,464)	72,397
Capital Assets, Being Depreciated				
Land Improvements	122,297	-	(394)	121,903
Buildings	228,519	892	(4,703)	224,708
Fixed Equipment Buildings	96,510	397	(2,610)	94,297
Machinery and Equipment	14,295	1,509	(1,329)	14,475
Vehicles and related Equipment	147,923	8,713	-	156,636
Furniture and Fixtures	3,439	-	-	3,439
Total Capital Assets, Being Depreciated	612,983	11,511-	(9,036)	615,458
Less: Accumulated Depreciation				
Land Improvements	(73,214)	(4,075)	410	(76,879)
Buildings	(153,359)	(7,072)	3,409	(157,022)
Fixed Equipment Buildings	(16,785)	(3,838)	2,303	(18,320)
Machinery and Equipment	(9,594)	(683)	104	(10,173)
Vehicles and related Equipment	(67,517)	(11,004)	-	(78,521)
Furniture and Fixtures	(1,334)	(84)	-	(1,418)
Total Accumulated Depreciation	(321,803)	(26,756)	6,226	(342,333)
Net Capital Assets Being Depreciated	291,180	(15,244)	(2,810)	273,126
Business-type Activities Capital Assets- Net	\$ 336,806	\$ 21,990	\$ (13,274)	\$ 345,522

Note 5- Capital Assets (continued)

Primary Government (continued)

Depreciation was charged to business-type activities as follows:

Airport	\$ 13,115
Behavioral Health	759
Transit System	<u>12,882</u>
Total	\$ <u>26,756</u>

Discretely Presented Component Units

Of the County's four component units two have reportable capital assets, the Milwaukee Public Museum and the Private Industry Council of Milwaukee County. The capital assets of the Milwaukee Public Museum represent assets that were reported in the August 31, 2003 audited financial statements. The 2004 financial statement audit for the Milwaukee Public Museum has not yet been completed.

The capital assets of the Milwaukee Public Museum consist of the following:

Capital Assets:

Construction in progress	1,538
Building additions and improvements	19,072
Furniture, equipment and exhibits improvements	7,631
Living Collections	86
Less: Accumulated depreciation	<u>(4,818)</u>
Capital Assets, Net	\$ <u>23,509</u>

The capital assets of the Private Industry Council of Milwaukee County consist of the following:

Capital Assets:

Land	\$ 170
Building	1,730
Leasehold Improvements	72
Less: Accumulated Depreciation	<u>-</u>
Capital Assets, Net	\$ <u>1,972</u>

Note 5- Capital Assets (continued)

Construction Commitments

Following is a list of major capital projects either started or continuing in 2004. These reflect projects for both governmental funds and proprietary funds.

<u>Project Area</u>	<u>Project Description</u>	<u>2004 Appropriations</u>	<u>2004 Expenditures</u>	<u>2004 Committed</u>
Airport	GMIA, 1L-19R CENTERLINE & TOUC	\$ -	\$ 54	\$ -
Airport	GMIA RE-LIGHT RUNWAY 7R/25L	-	63	-
Airport	GMIA ELEVATOR CONTROLS UPGRADE	-	75	-
Airport	GMIA, LAND ACQUISITION	-	87	-
Airport	GMIA - SURFACE MOVEMENT CONTRO	-	89	-
Airport	LJT AUTO WEATHER OBSERVING SYS	-	112	-
Airport	GMIA - NEW FLIGHT INFORMATION	-	145	-
Airport	POST OFFICE/CORPORATE HANGAR RD	-	148	-
Airport	GMIA, PARK.-LOT 6TH AND GRANGE	-	100	62
Airport	FIREHOUSE GARAGE ADDITION	430	163	22
Airport	RELIGHT FRONT TICKET DRIVE	-	195	36
Airport	GMIA, DRAINAGE MASTER PLAN	-	143	110
Airport	GMIA, SCHOOL/CHURCH SOUND INSU	-	169	114
Airport	GMIA, ACQUIRE VACANT RES. LAND	-	-	312
Airport	E CONCOURSE STEM REMODELING	411	72	292
Airport	GMIA C CONCOURSE HYDRANT FUEL	-	92	308
Airport	GMIA 1R/19L & 13/31 RUNWAY REP	-	639	-
Airport	GMIA, NEW PARKING FACILITIES	-	584	65
Airport	GMIA C CONCOURSE GATE TAXIWAY	-	387	283
Airport	LJT PAVEMENT REHABILITATION	-	628	57
Airport	GMIA - ENHANCED SECURITY POST	-	313	393
Airport	GMIA - TERMINAL APRON JOINT RE	736	358	445
Airport	GMIA - MASTER PLAN UPDATE	-	231	587
Airport	GMIA - CONCESSIONS MALL RENOV	294	966	-
Airport	GMIA - SECURITY SYSTEM UPGRADE	255	1,023	56
Airport	GMIA PART 150 NOISE STUDY	-	230	880
Airport	ELECTRICAL SYSTEM UPGRADE	2,500	547	888
Airport	GMIA RECONSTRUCT OF TAXIWAY B & C	-	1,824	333
Airport	D CONCOURSE IMPROVEMENTS	500	3,346	543
Airport	AIRPORT OPERATING TRANSFER	-	4,175	-
Airport	GMIA, PHASE I MITIGATION PROG	16,972	12,857	5,923
Airport	CONCOURSE FOUR GATE EXPANS	8,232	6,564	16,486
Genl Govt	STORMWATER PERMITTING - COUNTY	-	57	-
Genl Govt	ENVIRONMENTAL OPERATING TRANSF	-	160	-
Genl Govt	WINNEBAGO SEALMAN BLOCK REMED	-	300	-
Genl Govt	PLANK ROAD SCHOOL COMPLEX-DEMO	250	62	-

Note 5- Capital Assets (continued)

Construction Commitments (continued)

<u>Project Area</u>	<u>Project Description</u>	<u>2004 Appropriations</u>	<u>2004 Expenditures</u>	<u>Committed</u>
Genl Govt	COUNTY GROUNDS ROAD RECONSTRUC	\$ 1,156	\$ 1,227	\$ 215
Genl Govt	CJF CENTRAL INTAKE WATERPROOFI	100	70	9
Genl Govt	CRIMINAL JUSTICE FACILITY INFR	-	169	-
Genl Govt	CJF VIDEO VISITATION	600	419	73
Genl Govt	COURTHOUSE ROOF REPLACEMENT	2,368	1,536	1,312
Highways	TRANSPORATION DIVI PROJ MGMT	100	59	-
Highways	WEST RAWSON AVENUE	660	80	-
Highways	BRIDGE REHABILITATION	457	36	90
Highways	RECONSTRUCT CTH & SOUTH 13TH	155	260	17
Highways	2002 BRIDGE REPLACEMENT	481	201	202
Highways	TRAFFIC HAZARD ELIMINATION	130	401	22
Highways	BRIDGE REPLACEMENT PROGRAM	1,240	1,662	58
Highways	MAJOR REHABILITATION - CTH	455	1,801	302
Highways	BRIDGE REHABILITATION PROGRAM	3,916	2,466	44
Highways	COUNTY HIGHWAY ACTION PROGRAM	2,560	2,829	87
Highways	HIGHWAYS OPERATING TRANSFER	-	4,210	-
Hum Svc	PSYCHIATRIC HOSP SAFETY IMPRVM	100	56	29
Hum Svc	PSYCHIATRIC FIRE ALARM SYSTEM	137	46	51
Hum Svc	SENIOR CNTR INFRASTR IMPROVE	360	207	25
Hum Svc	DHS OPERATING TRANSFER	-	869	-
Hum Svc	VLIET EXTERIOR IMPROVEMENT	3,287	3,365	601
Jail/HOC	UPGARDE FIRE ALARMS	200	49	7
Jail/HOC	HOC STAIRWELL CAMERAS	70	151	-
Jail/HOC	ACC HVAC REPLACEMENT	(17)	229	-
Jail/HOC	INFRASTRUCTURE HOC	217	205	61
Jail/HOC	INDUSTRIES BUILDING HOC	70	330	-
Parks	OAK LEAF BIKE TRAIL ST. FRANCI	1,662	56	-
Parks	PARKWAY DRIVE RECONSTRUCTION P	-	63	-
Parks	WASHINGTON PARK REDEVELOPMENT	-	72	-
Parks	BENDER PARK - WATERFRONT PARK	-	89	-
Parks	51 STREET ST. PEDESTRIAN BRIDGE	101	20	84
Parks	PARKS EQUIPMENT	-	115	-
Parks	LAKE PARK LIGHTHOUSE RENOVATE	-	85	77
Parks	SAILING CENTER RAMP	84	174	-
Parks	BRADY STREET BRIDGE RAMP	90	206	17
Parks	PARK SITE 71 PLANNING	150	301	-
Parks	BIKE TRAIL DEVELOPMENT	-	261	93
Parks	COUNTY-WIDE PLAY AREA REDEVELO	284	408	18
Parks	PARKS INFRASTRUCTURE IMPROV	(37)	363	103

Note 5- Capital Assets (continued)

Construction Commitments (continued)

<u>Project Area</u>	<u>Project Description</u>	<u>2004 Appropriations</u>	<u>2004 Expenditures</u>	<u>Committed</u>
Parks	PARKS OPERATING TRANSFER	\$ -	\$ 499	\$ -
Parks	O'DONNELL PARK MAINTENANCE	400	492	60
Parks	PARKS INFRASTRUCTURE IMPROVE	1,397	538	498
Parks	COUNTYWIDE TRAIL & HARD SURFAC	250	984	256
Parks	MITCHELL DOMES REDEVELOPMNT	1,566	1,656	135
Parks	SOUTH SHORE BREAKWATER	820	210	1,863
Transit	COMPUTER UPGRADE	70	61	9
Transit	TRANSIT OPERATING TRANSFER	-	189	-
Transit	FIEBRANTZ COMPLX RENOVATION	(190)	456	14
Transit	BUS HOISTS	-	1,031	4
Transit	SCHEDULE/RUNCUTTING/OPERATORS	-	601	1,144
Transit	BUS REPLACEMENT - ORIONS	8,430	8,257	-
Zoo	ANIMAL HEALTH CENTER	81	111	18
Zoo	ZOO INFRASTRUCTURE IMPROVEMENT	31	324	81
Zoo	ZOO INFRASTRUCTURE IMPROVEMENT	1,631	678	42
Zoo	FELINE BLDG RENOVATION	4,391	2,777	1,735

Capital outlays are reported as expenditures in the governmental funds and bond proceeds are reflected as revenue for projects built on behalf of the governmental funds. However, in the statement of activities, the cost of capital assets built for the governmental funds is allocated over their useful lives as depreciation expense, and the bond proceeds are no longer a revenue but an increase in the long-term liabilities. Similarly, the governmental funds also report the expenditures and associated revenues of building proprietary fund assets. However, in the statement of activities, the cost of building proprietary fund assets is reclassified as transfers between governmental and business-type activities.

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Note 6- Interfund Transfers

The composition of interfund transfers as of December 31, 2004 is as follows:

	Transfers From						Total
	General Fund	Non-Major Governmental Funds	Capital Projects Fund	Business Type Airport	Business Type Transit	Internal Service Fund	
Transfers In							
General Fund	\$ -	\$ -	\$ 1,050	\$ 3,362	\$ 1,218	\$ 1,126	\$ 6,756
Debt Service	25,513	-	-	-	-	-	25,513
Capital Projects	610	10,429	-	-	-	-	11,039
Internal Service							
IMSD	14,941	-	-	-	-	-	14,941
Risk	-	-	-	-	-	-	-
DPW	12,846	-	-	-	-	-	12,846
Business-type							
Airport	-	-	-	-	-	-	-
BHD	33,336	-	-	-	-	-	33,336
Transit	21,016	-	-	-	-	-	21,016
Total	\$ 108,262	\$ 10,429	\$ 1,050	\$ 3,362	\$ 1,218	\$ 1,126	125,447
Add: Transfers of Capital Assets from Governmental to Business-type Activities							24,967
Less: Government-wide eliminations							(75,675)
Total Transfers- Government-wide Statement of Activities							\$ 74,739

No fund may have a reserve except for the Airport Fund. All funds that have a net increase, the net increase is transferred to the General Fund. All funds that have a net decrease, the amount of the net decrease is transferred to them from the General Fund to make them break-even for the year.

Note 7- Leases

Operating Leases- Primary Government

The County leases facilities, office equipment, and vehicles. Total costs for such leases were \$ 5,281 for the year ended December 31, 2004. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2005	\$ 4,895
2006	1,069
2007	911
2008	878
2009	623
	\$ 8,326

Note 8- Long-term Debt

Prior-Year Defeasance of Debt

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased notes and bonds are not included in the County's financial statements. At December 31, 2004, \$ 286,041 of bonds outstanding is considered defeased.

Governmental Activities

Proceeds from general obligation bonds issued during the year are budgeted for and recorded within the Capital Projects Fund and subsequently allocated to Business-Type Funds, where appropriate.

General obligation bonds are secured by the full faith; credit and unlimited taxing power of the County and are used to finance capital projects. General obligation bonds recorded in the Governmental Funds will be retired by future property tax levies and other resources accumulated in the Debt Service Fund.

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/04	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 56,493	\$ 7,925	\$ 12,640
General Obligation Building Bonds, Series 1997A	09/01/97	10/01/13	4.91%	2,500	1,645	430
General Obligation Corporate Purpose Bonds, Series 1997A	05/01/97	10/01/12	5.34%	41,735	8,486	3,119
General Obligation Corporate Purpose Bonds, Series 1998A	05/01/98	10/01/13	4.77%	39,823	12,723	4,453
General Obligation Museum Refunding Bonds, Series 1999A	05/27/99	10/01/13	4.67%	2,290	1,495	371
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	31,030	24,006	4,492
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	45,622	21,601	8,258
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	44,860	27,577	10,702

Note 8- Long-term Debt (continued)

Governmental Activities (continued)

Governmental Activities General Obligation Debt						
Bond Issue	Date of Bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/04	Interest to Maturity
Refunding Bonds (Taxable), Series 2001A	06/01/01	12/01/11	6.06%	\$ 2,610	\$ 1,750	\$ 428
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	45,376	44,356	6,768
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	37,830	22,477	8,341
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	55,841	41,870	7,218
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	36,926	24,236	9,891
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	92,151	92,151	29,572
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	32,848	26,051	1,460
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	23,237	21,607	8,073
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	25,095	25,095	8,703
Wisconsin Trust Loan	05/19/04	03/15/09	6.00%	18,627	18,627	3,261
Total Governmental Activities -- General Obligation Debt					\$ 423,678	\$ 128,180
Discount					(941)	
Loss					(7,059)	
Accretion					6,967	
Premium					3,062	
Total Governmental Activities -- General Obligation Debt, Net					\$ 425,707	
Short-Term					\$ 30,058	
Long-Term					395,649	
Total Debt per Statement of Net Assets -- Governmental Activities					\$ 425,707	

The ratio of the aggregate indebtedness of all taxing authorities located within the County to equalized value of the taxable property was approximately 4.76% including .96% related to direct County indebtedness at December 31, 2004. Wisconsin Statutes limit the County's direct general obligation borrowing to an

Note 8- Long-term Debt (continued)

Governmental Activities (continued)

amount equivalent to 5% of the equalized valuation of taxable property. At December 31, 2004 under Wisconsin Statutes, the County could borrow an additional \$ 2,068,767.

At December 31, 2004, the weighted average interest rate of general obligation bonds and notes outstanding was 3.13%. The maturities of the outstanding principal and related interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
<u>December 31</u>			
2005	\$ 30,058	\$ 17,946	\$ 48,004
2006	33,562	16,539	50,101
2007	33,022	15,225	48,247
2008	40,339	13,912	54,251
2009	41,775	16,083	57,858
2010-2014	195,610	43,751	239,361
2015-2019	<u>49,312</u>	<u>4,724</u>	<u>54,036</u>
	423,678	<u>\$128,180</u>	<u>\$ 551,858</u>
Premium	3,062		
Accretion	6,967		
Discount	(941)		
Loss	<u>(7,059)</u>		
	<u>\$425,707</u>		

On February 1 2004, the County issued \$ 26,950 of General Obligation Corporate Purpose Bonds, Series 2004A. Total proceeds of \$ 27,032 (par amount of bond issue of \$ 26,950, plus a net premium of \$ 36, plus accrued interest of \$ 46) were used to purchase direct obligations of the United States of America or held in cash. The proceeds will be used to finance capital projects for general County purposes pursuant to the County's 2004 Adopted Capital Improvement budget. The bonds of \$25,095 and \$ 1,855 were recorded in Governmental Activities and the Business-type activities columns on the Statement of Net Assets, respectively. Major expenditure categories include:

Note 8- Long-term Debt (continued)

Governmental Activities (continued)

Highways and Bridges	\$ 1,375
Mass Transit	1,703
Park, Recreational and Cultural Facilities	11,431
Health and Human Services Projects	5,560
General Government Projects	6,881
Total	\$ 26,950

These bonds have semi-annual interest payments on February 1 and August 1 through 2019. The interest rate is 2.0% for 2005 and 2006, 2.5% for 2007 and 2008, 2.75% for 2009, 3.0% for 2010, 3.25% for 2011, 3.50% for 2012, 3.625% for 2013, 4.0% for 2014 through 2018, and 4.125% for 2019.

On May 19, 2004, the County finalized a loan with the State of Wisconsin Board of Commissioners of Public Lands Trust Funds for \$ 18,627. The proceeds will be used to make additional pension payments to cover prior year variances between actual pension contributions made and the annual required pension contribution. The loan was recorded in Governmental Activities on the Statement of Net Assets. The loan is payable in level annual principal and interest payments over five years with a final payment due in 2009.

Business-type Activities

Revenues in these funds will retire general obligation bonds recorded in the Proprietary Funds, or if the revenues are not sufficient, by future property tax levies.

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebtedness	Principal Outstanding 12/31/04	Interest to Maturity
General Obligation Refunding Bonds, Series 1993A	10/15/93	12/01/11	5.04%	\$ 1,207	\$ 158	\$ 252
General Obligation Airport Bonds, Series 1995A	06/15/95	12/01/14	5.65%	6,175	3,250	1,027
General Obligation Airport Bonds, Series 1996A	06/15/96	12/01/15	5.80%	7,100	4,125	1,453

Note 8- Long-term Debt (continued)

Business-type Activities (continued)

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebted- ness	Principal Outstanding 12/31/04	Interest to Maturity
General Obligation Refunding Airport Bonds, Series 1996A	07/01/96	10/01/08	5.41%	\$ 23,520	\$ 6,525	\$ 852
General Obligation Refunding Airport Bonds, Series 1997A	09/01/97	10/01/09	4.72%	14,760	4,385	476
General Obligation Corporate Purpose Bonds, Series 1997A	05/01/97	10/01/12	5.34%	2,140	439	161
General Obligation Corporate Purpose Bonds, Series 1998A	05/01/98	10/01/13	4.77%	878	277	97
General Obligation Airport Bonds, Series 1999A	05/01/99	10/01/14	4.60%	6,825	4,550	1,157
General Obligation Corporate Purpose Refunding Bonds, Series 1999A	03/01/99	10/01/12	4.22%	1,695	1,234	231
General Obligation Corporate Purpose Bonds, Series 1999A	05/01/99	10/01/14	4.48%	4,803	2,774	1,060
General Airport Revenue Bonds, Series 2000A	06/01/00	12/01/25	5.80%	83,565	77,145	49,544
General Obligation Corporate Purpose Bonds, Series 2000A	03/01/00	09/01/15	5.46%	2,365	1,423	598
Airport Refunding Bonds, Series 2001A	10/01/01	12/01/11	4.47%	1,450	1,015	175
Corporate Purpose Refunding Bonds, Series 2001A	10/01/01	12/01/11	3.92%	4,549	4,344	663
General Obligation Corporate Purpose Bonds, Series 2001A	04/01/00	10/01/16	4.40%	3,495	2,023	809
Refunding Bonds, Series 2002A	06/01/02	09/01/10	3.98%	7,109	5,330	919
General Obligation Corporate Purpose Bonds, Series 2002A	02/01/02	08/01/17	4.20%	4,299	2,764	1,199
General Airport Revenue Bonds, Series 2003A	01/01/03	12/01/22	4.88%	7,125	6,750	3,180
General Obligation Refunding Bonds, Series 2003A	07/01/03	08/01/17	3.48%	8,111	7,874	2,527
General Obligation Refunding Bonds, Series 2003B	10/01/03	12/01/08	1.97%	702	519	29
General Obligation Corporate Purpose Bonds, Series 2003A	02/01/03	08/01/18	3.95%	2,713	2,618	1,103

Note 8- Long-term Debt (continued)

Business-type Activities (continued)

Business-type Activities General Obligation and Revenue Bond Debt

Bond Issue	Date of bonds	Final Maturity Date	Interest Rate	Original Indebtedness	Principal Outstanding 12/31/04	Interest to Maturity
General Airport Revenue Bonds, Series 2004A	03/31/04	12/01/29	4.47%	\$ 37,360	\$ 37,360	\$ 26,157
General Obligation Corporate Purpose Bonds, Series 2004A	02/01/04	08/01/19	3.72%	1,855	1,855	686
Total Business-Type Debt					\$ 178,737	\$ 94,356
Discount					(668)	
Loss					(673)	
Accretion					139	
Premium					354	
Total Business-Type Debt, Net					\$ 177,889	
Short-Term					\$ 11,185	
Long-Term General Obligation Debt					50,907	
Long-Term Airport Revenue Bonds					115,797	
Total Debt Per Statement of Net Assets-Business-type Activities					\$ 177,889	

The maturities of the outstanding principal and related interest requirements are as follows:

	Principal	Interest	Total Debt Service Requirements
<u>December 31</u>			
2005	\$ 11,185	\$ 9,124	\$ 20,309
2006	11,231	8,580	19,811
2007	11,199	8,043	19,242
2008	11,009	7,502	18,511
2009	9,942	7,036	16,978
2010-2014	48,520	27,781	76,301
2015-2019	32,436	16,393	48,829
2020-2024	28,395	8,137	36,532
2025-2029	14,820	1,760	16,580
	<u>178,737</u>	<u>\$ 94,356</u>	<u>\$ 273,093</u>
Premium	354		
Accretion	139		
Discount	(668)		
Loss	(673)		
	<u>\$177,889</u>		

Note 8- Long-term Debt (continued)

Business-type Activities- Revenue Bonds

On June 22, 2000, the County issued \$83,565 of Airport Revenue Bonds, Series 2000A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport. The Series 2000 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2020 with \$18,350 term bonds due December 1, 2025. The interest rate is 5.50% for 2003 through 2004, 5.00% for 2005, 5.75% for 2006 through 2008, 5.25% for 2009 through 2010, 5.75% for 2011, and 6.00% for 2012 through 2020. The interest rate is 5.75% for the term bonds due December 1, 2025.

On January 1, 2003, the County issued \$7,125 of Airport Revenue Bonds, Series 2003A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A. The Series 2003 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2022. The interest rate is 3.0% for 2004 through 2006, 3.25% for 2007 and 2008, 3.75% for 2009, 4.00% for 2010, 4.25% for 2011, 4.50% for 2012, 4.625% for 2013, 5.0% for 2014-2016, 5.25% for 2017-2019, and 5.5% for 2020 through 2022.

On March 31, 2004, the County issued \$37,360 of Airport Revenue Bonds, Series 2004A. The bonds are special obligations of the County, payable solely from revenues of the County derived from the ownership and operation of General Mitchell International Airport and Lawrence J. Timmerman Airport on a parity with the County's Airport Revenue Bonds, Series 2000A, dated June 1, 2000 and Airport Revenue Bonds, Series 2003A, dated January 1, 2003. The Series 2004 Bonds are not a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the bonds. The bonds have semi-annual interest payments on June 1 and December 1 through 2029. The interest rate is 2.0% for 2005 and 2006, 2.5% for 2007, 3.0% for 2008 and 2009, 5.0% for 2010 through 2017, 4.625% for 2018 through 2024, and 4.50% for 2025 through 2029.

Note 8- Long-term Debt (continued)

Debt Issued on Behalf of Other Entities/ Conduit Debt

The County has approved the issuance of variable rate demand revenue bonds (VRDRB) for the benefit of private non-profit corporations. VRDRB's are secured by letter of credit agreements from outside banks and do not constitute indebtedness of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of VRDRB's outstanding at the end of the year is approximately \$ 21,660 made up of four issues. In 2001, an interest rate swap was entered into for three of the issues to effectively fix the interest rate.

In 2003, the County guaranteed \$ 16,200 of loans for a local corporation. The loans are secured by mortgages and a cash trust of \$ 5.0 on certain buildings.

In 2004, the County provided a guarantee of \$ 1.0 of the \$ 3.2 million loan of a non-profit corporation for the purchase of a building. The guarantee is secured by a second mortgage on the purchased building.

In order to develop the Milwaukee County Research Park, a Tax Incremental District has been formed to fund infrastructure development costs. Milwaukee County has agreed to guarantee the City of Wauwatosa bonds to pay for the infrastructure costs associated with the Research Park.

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Note 8- Long-term Debt (continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2004 was as follows:

	Beginning		Amortized	Loss, Discount	Payments &	Ending	Due in
	<u>Balance</u>	<u>Additions</u>	<u>Accretion</u>	<u>Premium</u>	<u>Adjustments</u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities:							
General Obligation Bonds	\$ 405,168	\$ 44,365	\$ 788	\$ 440	\$ (25,054)	\$ 425,707	\$ 30,058
Pension Obligations	18,627	-	-	-	(18,627)	-	-
Unfunded Claims and Judgments	8,350	8,274	-	-	(3,600)	13,024	3,774
Landfill Post-closure costs	14,275	-	-	-	(2,575)	11,700	2,320
Compensated Absences	46,953	20,973	-	-	(30,510)	37,416	19,624
Totals	<u>\$ 493,373</u>	<u>\$ 73,612</u>	<u>\$ 788</u>	<u>\$ 440</u>	<u>\$ (80,367)</u>	<u>\$ 487,847</u>	<u>\$ 55,776</u>

	Beginning		Amortized	Loss, Discount	Payments &	Ending	Due in
	<u>Balance</u>	<u>Additions</u>	<u>Accretion</u>	<u>Premium</u>	<u>Adjustments</u>	<u>Balance</u>	<u>One Year</u>
Business-type Activities:							
General Obligation Bonds	\$ 62,276	\$ 1,840	\$ 16	\$ 87	\$ (7,067)	\$ 57,152	\$ 6,245
Revenue Bonds	87,042	37,228	-	52	(3,585)	120,737	4,940
Compensated Absences	26,453	9,800	-	-	(10,444)	25,809	9,601
Other Liabilities	8,143	1,631	-	-	(288)	9,486	1,904
Totals	<u>\$ 183,914</u>	<u>\$ 50,499</u>	<u>\$ 16</u>	<u>\$ 139</u>	<u>\$ (21,384)</u>	<u>\$ 213,184</u>	<u>\$ 22,690</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$ 43,050 of internal service funds long-term debt is included in the above figures. Also, for the governmental activities, claims and judgments and compensated absences are liquidated as they come due for payment and their adjustments are made at year end based on a detailed reevaluation of the account. As claims and judgments expenditures are incurred the general fund is used to liquidate the costs.

Unfunded claims and judgments include estimated costs for outstanding medical and other claims. At December 31, 2004 the outstanding amount of claims and judgments due within one year totaled \$ 3,774.

State and federal laws require the County to perform certain maintenance and monitoring functions at all of its solid waste landfill sites. Since all of the County's eleven landfill sites are no longer accepting waste, the total future costs of \$11,700 has been identified for maintenance and monitoring functions in

Note 8- Long-term Debt (continued)

Changes in Long-term Liabilities

accordance with Governmental Accounting Standards Board Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The funding for these post-closure costs will be included in future County tax levies.

Compensated Absences consist of the following:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments & Adjustments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Retirement sick pay payout	\$ 29,251	\$ 3,191	\$ (11,646)	\$ 20,796	\$ 3,004
Vacation time earned	15,217	14,757	(16,282)	13,692	13,692
Overtime earned	1,235	1,251	(1,264)	1,222	1,222
Holiday pay	1,250	1,774	(1,318)	1,706	1,706
Totals	\$ 46,953	\$ 20,973	\$ (30,510)	\$ 37,416	\$ 19,624

Business-type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments & Adjustments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Retirement sick pay payout	\$ 17,538	\$ 393	\$ (1,006)	\$ 16,925	\$ 717
Vacation time earned	8,445	8,635	(8,817)	8,263	8,263
Overtime earned	316	594	(455)	455	455
Holiday pay	154	178	(166)	166	166
Totals	\$ 26,453	\$ 9,800	\$ (10,444)	\$ 25,809	\$ 9,601

Note 9- Net Assets

Governmental Activities

Restricted net assets consist of the following:

Net Assets- Reserved for Debt Service Fund \$ 8,130

Note 9- Net Assets (continued)

Business-type Activities

Restricted net assets consist of the following:

Net Assets- Reserved for Revenue Bonds	\$	9,505
Net Assets- Reserved for Capital Asset Needs in the Airport Fund		3,899
Total	\$	13,404

Discretely Presented Component Units

Restricted net assets for the Milwaukee County Research Park and the War Memorial Center consist of the following:

Special Projects-War Memorial	\$	229
Research Development Fund-Research Park		98
Total	\$	327

Restricted net assets for the Milwaukee Public Museum consist of amounts from the August 31, 2003 audited financial statements:

Temporarily Restricted

Exhibits and Museum Renovations	\$	2,568
Educational Lecture Costs		96
Purchase and Maintenance of Collections		427
Rayniak Funds for Purchase of Decorative Glass		290
Exhibit Maintenance and Construction		23
Support of Specific Museum Departments		22
Staff Travel to Seminars, Staff Fieldwork		6
Internship Programs		257
Total Temporarily Restricted Assets	\$	3,689

Permanently Restricted

Any Activities	\$	836
Special Exhibits		275
Starr Adventure and internship		71
Total Permanently Restricted Assets	\$	1,182

Note 10- Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employee or natural disasters. The County uses a Risk Management Fund, which is presented as an internal service fund, to account for the financing of uninsured risks of loss. The County is self-insured for worker's compensation. In accordance with Wisconsin Statutes, the County's overall exposure for general liability and automobile liability is limited to \$ 50 and \$ 250 per person respectively. The County purchases commercial insurance to cover a substantial portion of the potential general liability, automobile liability and discrimination claims. The County also purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a claims reserve. In accordance with Governmental Accounting Standards Board Statement No 10, a liability for claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claims liability at December 31, 2004 was \$ 9,503.

The County has recognized \$ 9,503 of claims liabilities in the Risk Management Fund. The Risk Management Fund has \$ 9,503 of cash to pay for this liability. Changes in the balances of claim liabilities during the past two years are as follows:

	Year ended 12/31/2004	Year ended 12/31/2003
Beginning of year Liability	\$ 8,897	\$ 8,138
Current Year Claims and Changes in Estimates	5,149	4,781
Claims Payments	<u>(4,543)</u>	<u>(4,022)</u>
End of Year Liability	<u>\$ 9,503</u>	<u>\$ 8,897</u>

Note 11- Related Party Transactions

Milwaukee County and the Milwaukee Public Museum entered into an agreement, which provides for the not-for-profit operations and management of the Museum. The agreement, effective March 31, 1992, encompasses (1) the

Note 11- Related Party Transactions (continued)

lease and management of the Museum and (2) the transition of employees to MPM, Inc.

The lease and management agreement includes annual rental payments of \$10 (ten dollars) and is renewable every five years through March 31, 2042. The current period extends through December 2004. MPM, Inc. is responsible for all real estate taxes (if any), utilities, insurance, normal repair and maintenance expenses. The County is responsible for, among other items, any special assessments, structural repairs and capital projects. The agreement also requires the County to pay annual support. As a result of the amendment to the agreement in fiscal 1999, the base annual support level of \$ 4.3 million since April 1992 remained in effect through March 21, 2002, at which time the County and MPM, Inc. would be required to renegotiate a new base level funding agreement. Since the agreement was not established, the County continued to fund MPM, Inc. through December 31, 2004; however the County reduced the base level funding to 95% of the prior year funding level for each year subsequent to March 30, 2002 through December 31, 2004.

Milwaukee County provides funds required for the operation of the War Memorial Center, Villa Terrace, Charles Allis Art Museum and Marcus Center of the Performing Arts. To the extent these funds exceed actual disbursements, such excess is required to be returned to Milwaukee County. Milwaukee County and the War Memorial Center agreed that when revenues exceed budget, the War Memorial Center is permitted to create a reserve account whereas up to \$ 25 can be deposited annually. These funds are to be used in future years for the War Memorial Center's operational needs. Total appropriations received by the Memorial for 2004 were \$ 2,455. Interest earned on the investment of excess funds is not considered to be revenue, which must be returned to Milwaukee County. Milwaukee County has agreed to permit this interest income to be used at the discretion of the Board of Trustees for the benefit of their respective operations.

Milwaukee County and the Milwaukee County Research Park Corporation entered into a ground lease for 100 years commencing March 24, 1993 at \$ 1.00 (one dollar) per year. This lease covers approximately 158 acres consisting of the southwest quadrant, the Watertown Plank Road Park and Ride Lot and approximately 15 acres of northeast quadrant of the Milwaukee County grounds located in Wauwatosa, Wisconsin.

Milwaukee County and the Milwaukee County Research Park Corporation entered into a lease, dated March 15, 1993 to manage and sublease the Technology Innovation Center (TIC), also known as M-1. By an agreement, dated September 30, 1998, the lease was extended through September 30, 2003 with three additional five-year option periods commencing October 1, 2003. On

Note 11- Related Party Transactions (continued)

July 18, 2000, the Milwaukee County Research Park Corporation exercised the first option period extending the lease through September 30, 2008. The rentable space now comprises most of the basement and the entire first through fifth floors of the building. The rent due to Milwaukee County is based on space actually occupied by tenants and requires the Milwaukee County Research Park Corporation to charge annual base rentals of not less than \$ 7.50 per tenant occupied space foot, payable monthly. Discounts to the base rental amount require approval by Milwaukee County. As occupancy occurs, the Milwaukee County Research Park Corporation will pay Milwaukee County 66-2/3% of the base rent collected.

On June 12, 1998, the Chief Local Elected Officer of Milwaukee County (CLEO) and the Private Industry Council (PIC) entered into an operational agreement to effectuate the Workforce Investment Act (WIA). The agreement provides that the PIC shall perform all duties required of it under WIA or other job training and employment programs. Further, the PIC shall be the grant recipient and the administrative entity for operations under WIA and such other programs as may be mutually agreed upon.

The Milwaukee County Treasurer's office acts as the trustee for the Charles Allis Art Museum Trust. Distributions from the trust totaling \$ 4.4 were made to the Memorial during 2004.

Note 12- Subsequent Events

In April 2005, the County became aware of financial issues concerning the Milwaukee Public Museum, Inc. a discretely presented component unit of the County. As a result, the issuance of the audited financial statements of Milwaukee Public Museum, Inc. for their year ended August 31, 2004 have been delayed and are not available for inclusion in the Milwaukee County 2004 financial statements. The 2004 financial statements for Milwaukee County used the last published audit report for the Museum, dated August 31, 2003. At present, the financial issues do not have a direct impact on the County's finances. However, the County is considering various options for the future financing of the Museum operations.

Note 13- Contingent Liabilities

Claims and Other Legal Proceedings

The County is subject to numerous claims and other legal proceedings incidental to the ordinary course of its operations, including Environmental Protection Agency claims. Although the outcome of these claims and legal proceedings is not presently determinable, in the opinion of the County's corporate counsel the

Note 13- Contingent Liabilities (continued)

Claims and Other Legal Proceedings (continued)

resolution of these matters will not have a materially adverse effect on the financial condition of the County.

Intergovernmental Awards

Intergovernmental awards are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the County may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, would not be material to the accompanying government-wide and fund financial statements at December 31, 2004.

Note 14- Other Post-employment Benefits

In addition to pension benefits, the County provides health care benefits, as defined by County Ordinance, Section 17.14, for retired employees. The retirement health benefit is non-contributory for retirees with 15 or more years of service who were hired before January 1, 1994. Retirees with less than 15 years of service pay full premium. The non-contributory health benefit includes reimbursement of the Medicare Part B premium for retirees and covered spouses. Employees hired on and after January 1, 1994 are responsible for the full cost of the medical insurance premiums upon retirement. These employees shall have the full value of their accrued sick allowance at the time of retirement (total hours accrued times the hourly rate at the time of retirement) credited toward the cost of health insurance after retirement. The health benefit for retirees is financed each year with current tax levy funds.

Retirees may enroll in either a fully insured Health Maintenance Organization (HMO) or a self-insured health plan. The County had 1,169 retirees and their spouses and children enrolled in the HMO as of December 31, 2004. The total annual premium paid on behalf of this group for 2004 was \$ 10,089. The County contributed \$ 9,743 or 97% of the total premium; retirees contributed the remaining balance of \$ 346 or 3%. As of December 31, 2004, the County also had 4,823 retirees and their spouses and children enrolled in a self-insured health plan. The 2004 expenditures for the self-insured plan were \$ 33,170 including \$ 1,427 in administrative expenditures. These expenditures were offset by \$ 1,136 in retiree contributions for health benefit premiums. The County's 2004 expenditure for reimbursement of Medicare Part B premiums for retirees was \$ 4,007.

Note 14- Other Post-employment Benefits (continued)

Employees who retire with no break in service from active employee status retain group term life insurance coverage under the same contribution schedule as when actively employed. Life insurance coverage is the amount in force at retirement. A coverage reduction schedule takes effect at age 65 when the plan becomes non-contributory. Employees hired on and after January 1, 1994 are responsible for the full cost of the life insurance premiums upon retirement. The

life insurance benefit for retirees is financed each year with current tax levy funds. The 2004 expenditures for life insurance benefits covering 5,319 retirees were \$ 614. The expenditure was offset by \$ 57 in retiree contributions for life insurance premiums.

Note 15-Employee Retirement Systems and Pension Plans

Plan Description and Provisions

Milwaukee County has one retirement plan ("Retirement System"), which consists of two different systems that cover two different groups of employees within the Milwaukee County workforce. The systems within the one retirement plan are the Employees' Retirement System of the County of Milwaukee and the OBRA 1990 Retirement System of the County of Milwaukee.

Employees' Retirement System of the County of Milwaukee ("ERS") – Substantially all full-time employees of the County are participants in the ERS, which was created by Section 201.24 of the County Ordinances, and which is a single-employer defined benefit pension plan that is substantially non-contributory.

A participant, who terminates employment after five years of credited service is eligible for a deferred vested pension, beginning as of the participant's normal retirement date. The normal retirement benefit is a monthly pension for the life of the participant. For deputy sheriff participants with less than 30 years of service, the normal retirement age is 57. For all other participants, the normal retirement age is 60, although some labor agreements additionally require at least five years of creditable service at age 60. Active participants are also eligible to retire when their age added to their years of service equals 75.

The normal retirement benefit payment for a participant whose continuous membership began prior to January 1, 1982, is equal to 2.5% for elected officials, and 2.0% for all other participants, of the participant's three year final average salary, as defined in the Ordinances and labor agreement, multiplied by the number of years of credited service. Except for represented deputy sheriffs and elected officials, employees whose membership in the ERS began before January 1, 1982, will receive a bonus added to their final average salary of 7.5%

Note 15-Employee Retirement Systems and Pension Plans (continued)

Plan Description and Provisions (continued)

for each year of service credit earned after January 1, 2001 up to a maximum bonus of 25% of final average salary.

The amount of normal retirement benefit payable for represented deputy sheriffs hired before July 1, 1995 is equal to 2.5% and hired after June 30, 1995 is 2.0% times the participant's five-year final average monthly salary, as defined in labor agreements, multiplied by the number of years of credited service. The amount of normal retirement benefit payable for a participant whose continuous membership began after January 1, 1982 is as follows: 2.5% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan and DA investigators hired before July 1, 1995; 2% for non-represented deputy sheriffs, deputy sheriff lieutenants, deputy sheriffs employed in the Executive Compensation Plan, DA investigators hired after June 30, 1995; 2% for elected officials, firefighters and non-represented firefighters beginning January 1, 1999; and 1.5% for all other participants, of the participant's three-year final average monthly salary, as defined in the Ordinance and labor agreements, multiplied by the number of years of credited service.

Those employees whose membership in the ERS began after December 31, 1981, or for a non-represented Deputy Sheriff, whose service began after June 30, 1995, will have all service credited after January 1, 2001 with a 2% multiplier. Also, for each year of pension service earned after January 1, 2001, eight years of service earned prior to January 1, 2001, shall be credited with an additional .5% multiplier.

Each year after retirement, the amount of monthly benefit is increased by an amount equal to 2.0% COLA of the benefit paid for the first full month of retirement. However, the maximum benefit payable, excluding any post-retirement increases, to a participant cannot exceed the sum of 80% of the participant's final average monthly salary.

Beginning in 2001, the ERS also provides for a "back drop" pension benefit that permits an employee to receive both a lump-sum cash payment and a monthly pension benefit upon retirement. The lump-sum cash payment is the total of the monthly pension benefits, adjusted for COLA increases, that a member will be entitled to from a prior date (back drop date) to the date that the member terminates employment plus interest compounded monthly. The backdrop date must be at least one year prior to the termination date and the member must have been eligible to retire as of that date. In addition the member will be entitled to a COLA adjusted monthly pension benefit as if the member had retired on the backdrop date. Non-represented employees and elected officials hired on or after

Note 15-Employee Retirement Systems and Pension Plans (continued)

Plan Description and Provisions (continued)

March 15, 2002 are not eligible to receive the backdrop pension benefit and individuals elected after March 15, 2002 are not eligible to receive the additional .5% pension benefit multiplier. All benefit payments under the plan are subject to the limitations prescribed by Section 415 of the IRS Code.

Participants should refer to applicable ordinances or labor agreements for more complete information.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the ERS and OBRA. The financial report may be obtained by writing to the Pension Board, 901 North 9th Street, Room 210-C, Milwaukee, Wisconsin 53233 or by calling (414) 278-4207.

OBRA 1990 Retirement System of the County of Milwaukee (OBRA) – The County established the OBRA 1990 Retirement System of the County of Milwaukee (“OBRA”) to cover seasonal and certain temporary employees who are not enrolled in the ERS. The OBRA is a single-employer defined benefit pension plan that is non-contributory.

The normal retirement benefit is payable upon request of any participant that has attained age 65. The amount of the normal retirement benefit is equal to one-twelfth of 2% of the participants average compensation multiplied by years of service (not in excess of 30). Average compensation is equal to the total earnings accumulated during the participant’s employment with the County for years subsequent to December 31, 1991.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the ERS and OBRA. The financial report may be obtained by writing to the Pension Board, 901 North 9th Street, Room 210-C, Milwaukee, Wisconsin 53233 or by calling (414) 278-4207.

Summary of Significant Accounting Policies- Pension Fund

Basis of Accounting – The financial information of the ERS was prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred. On an annual basis, the County performs an actuarial valuation of the plan’s assets and liabilities.

Note 15-Employee Retirement Systems and Pension Plans (continued)

Summary of Significant Accounting Policies- Pension Fund (continued)

Expenses – Administrative expenses incurred by the County related to the ERS are payable by the ERS to the County. Such expenses totaled \$1,054 and \$1,052 in 2004 and 2003, respectively.

Investments – Investments, primarily stocks, bonds, certain governmental loans and mortgage-backed certificates, are stated at quoted fair value. Temporary cash investments are valued at cost, which approximates fair value. Investments in venture capital partnerships are valued at estimated fair value, as provided by the ERS's venture capital investment manager. Investment transactions are recorded on the trade date. Realized gains and losses are computed based on the average cost method. Assets of the OBRA are commingled for investment purposes with the assets of the ERS.

Valuation of International Securities– Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Security Lending – The Milwaukee County Employees' Retirement System is authorized by County Ordinance and Board of Trustee policies to lend its investment securities. The ERS's custodian manages the securities lending activity. The Securities Lending Agreement may be terminated by the ERS upon 30 days notice. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior-period losses during the year. There are no income distributions owing on the securities lent. The average term of loans is one week.

The ERS participates in a security-lending program for the lending of corporate bonds, equity and government securities to qualified brokers. Collateral received for securities loaned consists primarily of cash. Other forms of collateral are letters of credit and government agency securities. Collateral for domestic issues is set at 102% of the fair value of the securities loaned at the time of the initial transaction. If the value falls to 100% of the fair value of the securities loaned, additional collateral is obtained to reestablish collateral at 102% of the fair value of the securities loaned. Collateral for international securities is maintained at a level of 105% of the fair value of securities loaned at all times. The net investment income earned on collateral is divided between the custodian, as a fee for its services under the programs and the ERS, according to agreed upon rates. For 2004 and 2003, the net investment income realized from the security lending was \$ 291 and \$ 290, respectively.

Note 15-Employee Retirement Systems and Pension Plans (continued)

Summary of Significant Accounting Policies- Pension Fund (continued)

Securities loaned and the collateral held were as follows:

	<u>As of December 31</u>	
	<u>2004</u>	<u>2003</u>
Fair Value of Securities Loaned:	\$ 111,030	\$ 124,047
Fair Value of Collateral:	\$ 114,406	\$ 127,554
Percent Collateral to Securities Loaned:	103.04%	102.83%

The collateral received from security lending transactions is recorded as assets at quoted fair value on the financial statement date. The ERS records an identical amount as a liability, representing the obligation of the ERS to return the collateral at the time the borrower of the ERS's securities returns those securities.

The collateral received from securities lending transactions includes cash of \$ 111,140 and \$ 123,309 and U.S. Treasury securities of \$ 3,266 and \$ 4,245, for the years ending December 31, 2004 and 2003 respectively. Under the terms of the securities lending agreement, the ERS has the right to sell or pledge the cash collateral. Non-cash collateral in the amount of \$ 3,266 and \$ 4,245 for years ended December 31, 2004 and 2003, respectively, is controlled by the custodian and, correspondingly, is not reflected in the financial statements.

Concentrations – The ERS has the following investments (other than those issued or guaranteed by the U. S. Government) that represent 5 percent or more of the plan net assets at December 31, 2004:

- The Mellon Capital Management Employee Benefit Stock Index Fund of \$ 108,088.
- The Mellon Capital Management Employee Benefit Aggregate Bond Index Fund of \$ 205,319.
- The Mellon Capital Management Employee Benefit Large Cap Growth Stock Index Fund of \$ 91,889.
- The GMO International Intrinsic Value Fund III of \$106,633.

Actuarial Assumptions and Methods

The schedules of funding progress presented in the supplementary schedules were determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Note 15-Employee Retirement Systems and Pension Plans (continued)

Actuarial Assumptions and Methods (continued)

	<u>ERS</u>	<u>OBRA</u>
Valuation Date	1/1/05	1/1/05
Actuarial Cost Method	Entry Age Normal	Unit Credit Method
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years	30 Years
Asset Valuation Method	5-Year smoothing of difference between total expected return versus actual return	Market
Actuarial Assumptions:		
Investment Rate of Return	8.5%	8.5%
Projected Salary Increases	5.5%	5.0%
Mortality	RP 2000 Morality Table	RP 2000 Morality Table
Inflation Rate	3.0%	3.0%

2004 Changes in Plan Provisions or Actuarial Assumptions

- Decrease in the discount rate to 8.5%.
- The amortization period for plan amendments, assumption changes and actuarial experience was changed from 20 years to 30 years. Future plan assumption changes, as well as actuarial gains and losses will be amortized over 30 years from the date established.

2005 Changes in Plan Provisions or Actuarial Assumptions

- None

Contributions Required and Contributions Made

The ERS' funding policy provides for periodic County contributions at actuarially determined rates that, expressed as percentages for annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Payroll contribution rates are determined using the Entry Age Normal method of funding. The ERS also uses the level percentage of payroll method to amortize the unfunded liability over a 30-year period in 2004. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

The County makes contributions to the ERS based upon actuarially determined contribution requirements, as well as additional contributions at the discretion of the County Board. Actuarially determined contribution requirements are set

Note 15-Employee Retirement Systems and Pension Plans (continued)

Contributions Required and Contributions Made (continued)

during the County's budget process. The data available for the determination is based upon the prior fiscal year's demographics. The actuarially determined contribution requirements set during the budgeting process may differ from the annual required contribution (ARC) for the current period as a result of changes in plan provisions implemented subsequent to approval of the County budget. During the year, the ERS accrues only those contributions that the County is statutorily required to pay. This consists of those contributions that were included in the County's current year budget and any additional contributions that may have been committed at the discretion of the County Board.

Three year Trend Information for the ERS and OBRA are as follows:

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
ERS	12/31/04	\$ 33,248	105.7%	\$ -
	12/31/03	25,242	134.6%	-
	12/31/02	8,528	30.3%	10,914

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
OBRA	12/31/04	\$ 338	103.1%	\$ -
	12/31/03	280	100.0%	-
	12/31/02	275	100.0%	-

In early 2004 the County agreed to issue Wisconsin Trust Loan in the amount of \$ 18.6 million to pay the unamortized contribution variances for 2001, 2002, and 2003. The \$ 18.6 million is included in the 2003 County contributions of \$ 33,981 for 2003. The 2004 and 2003 contributions were actuarially determined as of January 1, 2003 and 2002, respectively. These amounts, less the \$18.6 million payment of the unamortized contribution variances, were included in the County's 2004 and 2003 budgets.

County contributions totaling \$ 35,143 and \$ 33,981 were recorded in 2004 and 2003, respectively. The 2004 and 2003 contributions were greater than the total actuarial required contribution using the Entry Age Normal method of funding

Note 15-Employee Retirement Systems and Pension Plans (continued)

Contributions Required and Contributions Made (continued)

with normal cost computed as a level percentage of pay. The County's contributions to the ERS were 15.1% and 14.6% of annual covered payroll for 2004 and 2003, respectively.

OBRA's funding policy provides for an annual County contribution at an actuarially determined rate. Liabilities and contributions are computed using the Unit Credit method of funding. OBRA also used the Unit Credit method to amortize the unfunded liability over a 30-year period. The actuarial accrued liability of OBRA at December 31, 2004 and 2003 was \$2,892 and \$ 2,535 respectively, leaving net assets available less than the actuarial accrued liability of (\$ 1,928) and (\$ 1,746) respectively. The County made contributions to the OBRA system totaling \$ 348 in 2004.

Note 16-New Accounting Pronouncement

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40 "Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3". This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The County will implement Statement No. 40 beginning with the year ended December 31, 2005.



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REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress and Employer Contributions

Employee's Retirement System

Retirement System

Substantially all full-time employees of the County are participants in the Employees' Retirement System of the County of Milwaukee (Retirement System), which is a single-employer defined benefit pension plan that is non-contributory.

OBRA

The County established the OBRA 1990 Retirement System of the County of Milwaukee to cover seasonal and certain temporary employees who are not enrolled in the Retirement System.

County Of Milwaukee
Required Supplementary Information
Schedules of Funding Progress
(In Thousands of Dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability- AAL (b)	Funded Ratio (a/b)	(Overfunded) Unfunded AAL- UAAL (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Retirement System</u>						
1/1/05	\$ 1,424,918	\$ 1,782,884	79.90%	\$ 357,966	\$ 209,796	170.60%
1/1/04	1,446,726	1,707,999	84.70%	261,273	233,478	111.90%
1/1/03	1,446,860	1,542,045	93.80%	95,185	234,679	40.60%
1/1/02	1,620,157	1,492,072	108.60%	(128,085)*	238,387	(53.7%)**
1/1/01	1,670,601	1,499,261	111.40%	(171,340)*	238,195	(71.9%)**
1/1/00	1,622,710	1,336,573	121.40%	(286,137)*	230,324	(124.2%)**
<u>OBRA</u>						
1/1/05	\$ 944	\$ 2,872	32.90%	\$ 1,928	\$ 8,406	22.9%
1/1/04	790	2,535	31.15%	1,745	8,397	20.8%
1/1/03	674	2,049	32.90%	1,376	8,596	16.0%
1/1/02	662	1,890	35.00%	1,228	8,713	14.1%
1/1/01	613	1,846	33.20%	1,233	8,783	14.0%
1/1/00	584	1,581	36.90%	997	8,682	11.5%

* These amounts represent actuarial value of assets in excess of actuarial accrued liabilities.

** These percentages represent the amount of overfunded actuarial assets as a percentage of payroll.

Note: Analysis of the dollar amounts of plan assets, actuarial accrued liability, and unfunded (overfunded) actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

County Of Milwaukee
Required Supplementary Information
Schedules of Employer Contributions
For the Year Ended December 31

	<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
<u>Retirement System</u>				
	2004	\$ 33,248	106.60%	\$ -
	2003	25,242	134.60%	-
	2002	8,528	30.30%	10,914
	2001	8,586	30.80%	5,940
	2000	629	100.00%	-
	1999	2,757	100.00%	-
<u>OBRA</u>				
	2004	\$ 338	103.10%	\$ -
	2003	280	100.00%	-
	2002	275	100.00%	-
	2001	250	100.00%	-



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OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules



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BUDGETARY COMPARISON

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 300,468	\$ 291,549	\$ 276,179	\$ (15,370)
Property Taxes	220,886	220,886	220,612	(274)
Sales Taxes	59,312	59,312	58,834	(478)
Investment Income and Rents	8,627	8,627	6,974	(1,653)
Charges for Services	182,329	185,285	180,925	(4,360)
Fines and Forfeits	3,264	3,264	3,129	(135)
Licenses and Permits	552	552	443	(109)
Other	27,867	29,632	26,133	(3,499)
Total Revenues	<u>803,305</u>	<u>799,107</u>	<u>773,229</u>	<u>(25,878)</u>
Expenditures:				
Current:				
County Board	4,834	4,826	4,601	225
Department of Audit	2,232	2,156	2,074	82
Veterans Service	276	446	381	65
Disadvantaged Business Development	576	804	613	191
Procurement	870	830	742	88
Office of Handicapped	606	616	600	16
County Executive	1,013	985	883	102
Civil Service Commission	67	76	58	18
Personnel Review Board	159	159	153	6
Corporation Counsel	1,804	1,938	1,617	321
Department of Human Resources	4,443	4,373	4,124	249
Department of Administrative Services	3,678	3,789	3,649	140
Housing	18,730	26,105	20,708	5,397
Legislative, Executive and Staff	<u>39,288</u>	<u>47,103</u>	<u>40,203</u>	<u>6,900</u>
County-funded State Court Services	40,033	40,752	38,599	2,153
Child Support Enforcement	18,413	18,490	17,811	679
Courts and Judiciary	<u>58,446</u>	<u>59,242</u>	<u>56,410</u>	<u>2,832</u>
Election Commission	1,179	1,177	1,025	152
County Treasurer	994	1,057	995	62
County Clerk	583	578	537	41
Register of Deeds	4,065	4,673	4,299	374
General Governmental Services	<u>6,821</u>	<u>7,485</u>	<u>6,856</u>	<u>629</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Sheriff	\$ 73,031	\$ 75,745	\$ 74,235	\$ 1,510
House of Correction	42,572	43,359	44,041	(682)
District Attorney	14,916	14,763	14,754	9
Public Safety and Non-Departmental Court	4,189	4,074	3,988	86
Public Safety	<u>134,708</u>	<u>137,941</u>	<u>137,018</u>	<u>923</u>
Highway Maintenance	16,020	15,608	14,410	1,198
Administration	368	2,297	2,275	22
Public Works and Highways	<u>16,388</u>	<u>17,905</u>	<u>16,685</u>	<u>1,220</u>
County Health Related Programs	62,804	31,700	30,128	1,572
Department on Aging	135,670	20,034	19,381	653
Department on Aging -- CMO	-	120,685	125,898	(5,213)
Department of Human Services	166,739	179,514	171,719	7,795
Human Services	<u>365,213</u>	<u>351,933</u>	<u>347,126</u>	<u>4,807</u>
Department of Parks	36,351	40,799	37,141	3,658
Zoological Department	19,706	19,603	18,540	1,063
UW Extension Service	325	334	309	25
Parks, Recreation and Culture	<u>56,382</u>	<u>60,736</u>	<u>55,990</u>	<u>4,746</u>
Other	17,084	19,446	17,618	1,828
Total Expenditures	<u>694,330</u>	<u>701,791</u>	<u>677,906</u>	<u>23,885</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>108,975</u>	<u>97,316</u>	<u>95,323</u>	<u>(1,993)</u>
Other Financing Sources (Uses):				
Application of Fund Balance				
Reserved for 2004 Appropriations	4,009	4,009	4,009	-
Transfers In	-	-	5,538	5,538
Transfers Out	(106,931)	(102,882)	(107,044)	(4,162)
Transfers To Component Units	(6,316)	(6,359)	(6,359)	-
Total Other Financing Sources (Uses)	<u>(109,238)</u>	<u>(105,232)</u>	<u>(103,856)</u>	<u>1,376</u>
Net Change in Fund Balance	(263)	(7,916)	(8,533)	(617)
Fund Balances -- Beginning	14,422	14,422	14,422	-
Fund Balances -- Ending	<u>\$ 14,159</u>	<u>\$ 6,506</u>	<u>\$ 5,889</u>	<u>\$ (617)</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
Debt Service Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Other	4,607	5,116	7,234	2,118
Total Revenues	<u>4,607</u>	<u>5,116</u>	<u>7,234</u>	<u>2,118</u>
Expenditures:				
Current -- Other	-	-	19,083	(19,083)
Debt Service:				
Principal Retirement	31,290	31,290	20,132	11,158
Interest	14,902	15,602	16,035	(433)
Total Expenditures	<u>46,192</u>	<u>46,892</u>	<u>55,250</u>	<u>(8,358)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,585)</u>	<u>(41,776)</u>	<u>(48,016)</u>	<u>(6,240)</u>
Other Financing Sources (Uses):				
Wisconsin State Trust Fund Bonds Issued	-	-	18,627	18,627
Transfers In	33,871	34,062	25,513	(8,549)
Total Other Financing Sources (Uses)	<u>33,871</u>	<u>34,062</u>	<u>44,140</u>	<u>10,078</u>
Net Change in Fund Balance	(7,714)	(7,714)	(3,876)	3,838
Fund Balances - Beginning	12,006	12,006	12,006	-
Fund Balances - Ending	<u>\$ 4,292</u>	<u>\$ 4,292</u>	<u>\$ 8,130</u>	<u>\$ 3,838</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
(Non-GAAP Budgetary Basis)
Capital Projects Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 27,890	\$ 57,765	\$ 34,324	\$ (23,441)
Sales Tax	2,306	2,306	2,289	(17)
Investment Income and Rents	17	17	641	624
Other	2,491	7,060	1,684	(5,376)
Total Revenues	<u>32,704</u>	<u>67,148</u>	<u>38,938</u>	<u>(28,210)</u>
Expenditures:				
Capital Outlay	<u>61,187</u>	<u>164,172</u>	<u>120,491</u>	<u>43,681</u>
Total Expenditures	<u>61,187</u>	<u>164,172</u>	<u>120,491</u>	<u>43,681</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,483)</u>	<u>(97,024)</u>	<u>(81,553)</u>	<u>15,471</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued	27,088	26,604	26,950	346
Transfers In -- PFC Revenue	1,395	56,665	11,039	(45,626)
Transfers Out	-	-	(1,050)	(1,050)
Total Other Financing Sources (Uses)	<u>28,483</u>	<u>83,269</u>	<u>36,939</u>	<u>(46,330)</u>
Net Change in Fund Balance	-	(13,755)	(44,614)	(30,859)
Fund Balances - Beginning	<u>13,834</u>	<u>13,834</u>	<u>13,834</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 13,834</u>	<u>\$ 79</u>	<u>\$ (30,780)</u>	<u>\$ (30,859)</u>

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Airport Enterprise Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues:				
Rentals and Other Service Fees	\$ 44,619	\$ 47,189	\$ 42,231	\$ (4,958)
Admissions and Concessions	8,439	8,439	9,738	1,299
Total Charges for Services	53,058	55,628	51,969	(3,659)
Other Revenues	145	145	4	(141)
Total Operating Revenues	53,203	55,773	51,973	(3,800)
Operating Expenses:				
Personnel Services	13,706	13,435	12,966	469
Contractual Services	11,284	13,217	12,152	1,065
Intra-County Services	8,883	8,883	9,125	(242)
Commodities	1,715	1,739	1,361	378
Depreciation and Amortization	12,719	13,157	13,198	(41)
Maintenance	468	1,282	445	837
Other	246	246	473	(227)
Total Operating Expenses	49,021	51,959	49,720	2,239
Operating Income (Loss)	4,182	3,814	2,253	(1,561)
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	164	367	1,158	791
Investment Income	373	373	794	421
Interest Expense	(6,451)	(6,451)	(6,702)	(251)
Total Nonoperating Revenues (Expenses)	(5,914)	(5,711)	(4,750)	961
Income (Loss) Before Transfers	(1,732)	(1,897)	(2,497)	(600)
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces				
Contributed Capital From Capital Grants	2,821	2,821	3,200	379
Transfers Out	(1,089)	(924)	(3,362)	(2,438)
Change in Net Assets	\$ -	\$ -	\$ (2,659)	\$ (2,659)

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Behavioral Health Enterprise Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues:				
Charges for Services:				
Patient Service Revenues, Net of Provision for Uncollectible Accounts and Contractual Allowances	\$ 42,105	\$ 42,405	\$ 47,176	\$ 4,771
Net Patient Service Revenues	42,105	42,405	47,176	4,771
Rentals and Other Service Fees	6	6	189	183
Admissions and Concessions	12	12	8	(4)
Total Charges for Services	42,123	42,423	47,373	4,950
Other Revenues	12,590	12,990	11,121	(1,869)
Total Operating Revenues	54,713	55,413	58,494	3,081
Operating Expenses:				
Personnel Services	65,992	65,168	65,569	(401)
Contractual Services	8,083	8,706	9,210	(504)
Intra-County Services	3,981	3,982	2,864	1,118
Commodities	6,143	6,217	7,072	(855)
Depreciation and Amortization	913	913	759	154
Maintenance	66	105	37	68
Other	59,020	60,422	61,949	(1,527)
Total Operating Expenses	144,198	145,513	147,460	(1,947)
Operating Income (Loss)	(89,485)	(90,100)	(88,966)	1,134
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	55,151	56,351	54,780	(1,571)
Interest Expense	(282)	(282)	(203)	79
Total Nonoperating Revenues (Expenses)	54,869	56,069	54,577	(1,492)
Income (Loss) Before Transfers	(34,616)	(34,031)	(34,389)	(358)
Transfers In	34,616	34,031	33,336	(695)
Change in Net Assets	\$ -	\$ -	\$ (1,053)	\$ (1,053)

COUNTY OF MILWAUKEE
Schedule of Revenues, Expenses and Changes in Fund Net Assets-Budget and Actual
(Non-GAAP Budgetary Basis)
Transit Enterprise Fund
For the Year Ended December 31, 2004
(In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues:				
Rentals and Other Service Fees	\$ 125	\$ 125	\$ 142	\$ 17
Transit Fares	41,616	41,616	41,798	182
Total Charges for Services	41,741	41,741	41,940	199
Other Revenues	4,216	4,216	3,683	(533)
Total Operating Revenues	45,957	45,957	45,623	(334)
Operating Expenses:				
Personnel Services	104,133	104,133	105,253	(1,120)
Contractual Services	24,244	24,246	22,620	1,626
Intra-County Services	790	790	754	36
Commodities	8,710	8,710	8,830	(120)
Depreciation and Amortization	13,220	13,220	12,882	338
Maintenance	873	889	1,049	(160)
Other	2,102	1,666	1,752	(86)
Total Operating Expenses	154,072	153,654	153,140	514
Operating Income (Loss)	(108,115)	(107,697)	(107,517)	180
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	76,995	77,083	77,108	25
Interest Expense	(1,185)	(1,185)	(1,071)	114
Total Nonoperating Revenues (Expenses)	75,810	75,898	76,037	139
Income (Loss) Before Transfers	(32,305)	(31,799)	(31,480)	319
Add Depreciation on Capital Assets				
Acquired by Capital Grants that Reduces				
Contributed Capital From Capital Grants	10,541	10,541	14,155	3,614
Transfers In	21,764	21,258	21,016	(242)
Transfers Out	-	-	(1,218)	(1,218)
Change in Net Assets	\$ -	\$ -	\$ 2,473	\$ 2,473

COMBINING STATEMENTS

Other Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for endowments, bequests and restricted donations, where the principal may be expended in the course of their designated operations. The specific purpose of each Special Revenue Fund is as follows:

Zoo - Purchase of animals and maintenance of the miniature passenger railroad.

Parks - Enhancement of the Todd Wehr Nature Center and restoration of the Trimborn Farm as a historic park.

Persons with Disabilities - Special projects to help free disabled persons from environmental and attitudinal barriers.

Behavioral Health Division - Mental health research, patient activities and special events.

Airport PFC (Passenger Facility Charge) - Federal Aviation Administration (FAA) approved capital projects at the Airport.

Health and Safety— established for Risk Management to work with the countywide safety committee to address safety issues countywide. It also funds the cost associated with new employee screenings.

COUNTY OF MILWAUKEE
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004
(In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport PFC	Health and Safety	
ASSETS							
Cash and Investments	\$ 544	\$ 500	\$ 101	\$ 490	\$ 16,494	\$ 23	\$ 18,152
Cash and Investments -- Restricted	-	-	-	-	5,035	-	5,035
Receivables -- Other	-	1	-	-	-	-	1
Prepaid Items	31	-	-	-	-	-	31
Total Assets	<u>\$ 575</u>	<u>\$ 501</u>	<u>\$ 101</u>	<u>\$ 490</u>	<u>\$ 21,529</u>	<u>\$ 23</u>	<u>\$ 23,219</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15
Other Liabilities	1	-	-	-	-	-	1
Total Liabilities	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
Fund Balances:							
Reserved	559	501	101	490	21,529	23	23,203
Total Fund Balances	<u>559</u>	<u>501</u>	<u>101</u>	<u>490</u>	<u>21,529</u>	<u>23</u>	<u>23,203</u>
Total Liabilities and Fund Balances	<u>\$ 575</u>	<u>\$ 501</u>	<u>\$ 101</u>	<u>\$ 490</u>	<u>\$ 21,529</u>	<u>\$ 23</u>	<u>\$ 23,219</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004
(In Thousands)

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Zoo	Parks	Persons with Disabilities	Behavioral Health Division	Airport PFC	Health and Safety	
Revenues:							
Investment Income and Rents	\$ 26	\$ -	\$ 1	\$ -	\$ 310	\$ -	\$ 337
Charges for Services	613	53	-	-	-	-	666
PFC Revenues	-	-	-	-	9,120	-	9,120
Other	35	258	3	-	-	23	319
Total Revenues	<u>674</u>	<u>311</u>	<u>4</u>	<u>-</u>	<u>9,430</u>	<u>23</u>	<u>10,442</u>
Expenditures:							
Current:							
Human Services	-	-	5	46	-	-	51
Parks, Recreation and Culture	779	66	-	-	-	-	845
Other	-	-	-	-	967	-	967
Total Expenditures	<u>779</u>	<u>66</u>	<u>5</u>	<u>46</u>	<u>967</u>	<u>-</u>	<u>1,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(105)</u>	<u>245</u>	<u>(1)</u>	<u>(46)</u>	<u>8,463</u>	<u>23</u>	<u>8,579</u>
Other Financing Sources (Uses)							
Transfers Out	-	-	-	-	(10,429)	-	(10,429)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,429)</u>	<u>-</u>	<u>(10,429)</u>
Net Changes in Fund Balance	(105)	245	(1)	(46)	(1,966)	23	(1,850)
Fund Balances -- Beginning	664	256	102	536	23,495	-	25,053
Fund Balances -- Ending	<u>\$ 559</u>	<u>\$ 501</u>	<u>\$ 101</u>	<u>\$ 490</u>	<u>\$ 21,529</u>	<u>\$ 23</u>	<u>\$ 23,203</u>



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COMBINING STATEMENTS

Internal Service Funds

Information Management Services

This fund is used to account for electronic data processing, graphics and telecommunication services provided to County departments.

Public Works Services

This fund is used to account for various services provided to other County departments including:

Professional Services - provides engineering, architectural and administrative services.

Central Services - provides custodial and equipment maintenance services.

Fleet Maintenance - controls, supervises and maintains all automotive equipment owned by the County.

Risk Management

This fund accounts for risk financing, loss control and insurance-related activities for the County and its employees.

COUNTY OF MILWAUKEE
Combining Balance Sheet
Internal Service Funds
December 31, 2004
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
<u>Assets</u>				
Current Assets:				
Cash and Investments	\$ 4,123	\$ 7,164	\$ 9,890	\$ 21,177
Accounts Receivable (Net of Allowances for Uncollectible Accounts)	41	480	-	521
Due From Other Governments	-	222	-	222
Inventories	-	872	-	872
Prepaid Items	110	-	-	110
Total Current Assets	<u>4,274</u>	<u>8,738</u>	<u>9,890</u>	<u>22,902</u>
Capital Assets:				
Land and Land Improvements	-	13,083	-	13,083
Building and Improvements	599	108,663	-	109,262
Furniture, Machinery and Equipment	31,235	39,754	114	71,103
Construction in Progress	4,037	9,253	4	13,294
Total Capital Assets	<u>35,871</u>	<u>170,753</u>	<u>118</u>	<u>206,742</u>
Less Accumulated Depreciation	<u>(24,039)</u>	<u>(117,055)</u>	<u>(108)</u>	<u>(141,202)</u>
Net Capital Assets	<u>11,832</u>	<u>53,698</u>	<u>10</u>	<u>65,540</u>
Total Assets	<u>\$ 16,106</u>	<u>\$ 62,436</u>	<u>\$ 9,900</u>	<u>\$ 88,442</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	\$ 777	\$ 1,295	\$ 166	\$ 2,238
Accrued Liabilities	1,290	3,332	9,567	14,189
Deferred Revenues	28	169	65	262
Bonds Payable-Current Portion	1,325	4,122	-	5,447
Total Current Liabilities	<u>3,420</u>	<u>8,918</u>	<u>9,798</u>	<u>22,136</u>
Long-Term Liabilities:				
Compensated Absences	987	2,022	86	3,095
Bonds Payable -- Long-Term	10,675	26,928	-	37,603
Total Long-Term Liabilities	<u>11,662</u>	<u>28,950</u>	<u>86</u>	<u>40,698</u>
Total Liabilities	<u>15,082</u>	<u>37,868</u>	<u>9,884</u>	<u>62,834</u>
<u>Net Assets</u>				
Unrestricted	1,192	1,920	6	3,118
Invested in Capital Assets, Net of Related Debt	<u>(168)</u>	<u>22,648</u>	<u>10</u>	<u>22,490</u>
Total Net Assets	<u>1,024</u>	<u>24,568</u>	<u>16</u>	<u>25,608</u>
Total Liabilities and Net Assets	<u>\$ 16,106</u>	<u>\$ 62,436</u>	<u>\$ 9,900</u>	<u>\$ 88,442</u>

COUNTY OF MILWAUKEE
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For The Year Ended December 31, 2004
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Operating Revenues:				
Charges for Services	\$ 15	\$ 33,239	\$ 6,417	\$ 39,671
Other	34	331	31	396
Total Operating Revenues	<u>49</u>	<u>33,570</u>	<u>6,448</u>	<u>40,067</u>
Operating Expenses:				
Personnel Services	8,746	25,676	523	34,945
Contractual Services	4,026	7,415	49	11,490
Intra-County Services	140	2,427	3	2,570
Commodities	240	3,435	3	3,678
Depreciation and Amortization	3,133	5,863	5	9,001
Maintenance	18	915	-	933
Insurance and Claims	-	-	5,149	5,149
Other	-	1,119	-	1,119
Total Operating Expenses	<u>16,303</u>	<u>46,850</u>	<u>5,732</u>	<u>68,885</u>
Operating Income (Loss)	<u>(16,254)</u>	<u>(13,280)</u>	<u>716</u>	<u>(28,818)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental Revenues	148	349	-	497
Interest Expense	(577)	(1,448)	-	(2,025)
Total Nonoperating Revenues (Expenses)	<u>(429)</u>	<u>(1,099)</u>	<u>-</u>	<u>(1,528)</u>
Income (Loss) Before Contributions and Transfers	(16,683)	(14,379)	716	(30,346)
Capital Contributions	787	4,048	-	4,835
Transfers In	14,941	12,846	-	27,787
Transfers Out	-	(405)	(721)	(1,126)
Change in Net Assets	(955)	2,110	(5)	1,150
Net Assets -- Beginning	1,979	22,458	21	24,458
Net Assets -- Ending	<u>\$ 1,024</u>	<u>\$ 24,568</u>	<u>\$ 16</u>	<u>\$ 25,608</u>

COUNTY OF MILWAUKEE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2004
(In Thousands)

	Information Management Services	Public Works Services	Risk Management	Total
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 79	\$ 33,688	\$ 6,516	\$ 40,283
Payments to Suppliers	(4,382)	(12,446)	(5,212)	(22,040)
Payments to Employees	(8,807)	(26,575)	93	(35,289)
Payments for Interfund Services Used	(140)	(2,427)	(3)	(2,570)
Net Cash Provided (Used) by Operating Activities	<u>(13,250)</u>	<u>(7,760)</u>	<u>1,394</u>	<u>(19,616)</u>
Cash Flows Provided (Used) by Noncapital Financing Activities:				
Intergovernmental Revenues	148	349	-	497
Transfers From Other Funds	15,728	16,894	-	32,622
Transfers (To) Other Funds	-	(405)	(721)	(1,126)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>15,876</u>	<u>16,838</u>	<u>(721)</u>	<u>31,993</u>
Cash Flows Provided (Used) by Capital and Related Financing Activities:				
Principal Payment on Bonds	(1,043)	(3,879)	-	(4,922)
Interest Paid on Bonds	(571)	(1,467)	-	(2,038)
Proceeds from Bonds	746	2,768	-	3,514
Proceeds from Sale of Capital Assets	-	102	-	102
Acquisition of Capital Assets	(1,605)	(6,917)	(6)	(8,528)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(2,473)</u>	<u>(9,393)</u>	<u>(6)</u>	<u>(11,872)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	153	(315)	667	505
Cash and Cash Equivalents at Beginning of Year	3,970	7,479	9,223	20,672
Cash and Cash Equivalents at End of Year	<u>\$ 4,123</u>	<u>\$ 7,164</u>	<u>\$ 9,890</u>	<u>\$ 21,177</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss):	\$ (16,254)	\$ (13,280)	\$ 716	\$ (28,818)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:				
Depreciation and Amortization	3,133	5,863	5	9,001
(Increase) Decrease in Assets:				
Accounts Receivable	(3)	105	68	170
Inventories	16	(8)	-	8
Prepaid Items	17	-	-	17
Other Assets	-	-	-	-
Increase (Decrease) in Liabilities:				
Accounts Payable	(98)	446	(11)	337
Accrued Liabilities	102	(252)	617	467
Deferred Revenues	-	13	-	13
Compensated Absences	(163)	(647)	(1)	(811)
Total Adjustments	<u>3,004</u>	<u>5,520</u>	<u>678</u>	<u>9,202</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (13,250)</u>	<u>\$ (7,760)</u>	<u>\$ 1,394</u>	<u>\$ (19,616)</u>

COMBINING STATEMENTS

Fiduciary Funds

Agency Funds

Agency funds are custodial in nature and are used to account for assets held by the County as an agent for individuals, private organizations, and other governmental units. Significant Agency Funds consist of Civil Court-ordered family support payments.

COUNTY OF MILWAUKEE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For The Year Ended December 31, 2004
(In Thousands)

	<u>January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2004</u>
<u>CIVIL COURT ORDERED AGENCY FUND FOR FAMILY SUPPORT/PAYMENTS</u>				
Total Assets				
Cash and Investments	\$ 11,988	\$ 74,235	\$ 58,947	\$ 27,276
Total Liabilities				
Agency Deposits	\$ 11,988	\$ 72,886	\$ 57,598	\$ 27,276
<u>CARE MANAGEMENT ORGANIZATIONS WORKING CAPITAL RESERVE</u>				
Cash and Investments	\$ -	\$ 2,708	\$ -	\$ 2,708
Total Assets	\$ -	\$ 2,708	\$ -	\$ 2,708
Agency Deposits	\$ -	\$ 2,708	\$ -	\$ 2,708
Total Liabilities	\$ -	\$ 2,708	\$ -	\$ 2,708
<u>OTHER AGENCY FUNDS</u>				
Cash and Investments	\$ 8,728	\$ 63,184	\$ 62,626	\$ 9,286
Other Receivables	326	28,701	29,027	-
Total Assets	\$ 9,054	\$ 91,885	\$ 91,653	\$ 9,286
Accounts Payable	\$ 145	\$ 20,150	\$ 20,119	\$ 176
Agency Deposits	8,909	49,011	48,810	9,110
Total Liabilities	\$ 9,054	\$ 69,161	\$ 68,929	\$ 9,286
<u>SUMMARY</u>				
Cash and Investments	\$ 20,716	\$ 140,127	\$ 121,573	\$ 39,270
Other Receivables	326	28,701	29,027	-
Total Assets	\$ 21,042	\$ 168,828	\$ 150,600	\$ 39,270
Accounts Payable	\$ 145	\$ 20,150	\$ 20,119	\$ 176
Agency Deposits	20,897	124,605	106,408	39,094
Total Liabilities	\$ 21,042	\$ 144,755	\$ 126,527	\$ 39,270

STATISTICAL SECTION (UNAUDITED)

COUNTY OF MILWAUKEE
GOVERNMENT-WIDE EXPENSES BY FUNCTION*
(In Thousands)

<u>Year</u>	<u>Legislative and General Governmental Services</u>	<u>Courts and Judiciary</u>	<u>Public Safety</u>	<u>Public Works and Highways</u>	<u>Human Services</u>	<u>Parks Recreation and Culture</u>	<u>Interest and Other</u>	<u>Airport</u>	<u>Behavioral Health</u>	<u>Transit</u>	<u>Total</u>
2002	\$ 68,662	\$ 49,860	\$ 115,415	\$ 79,991	\$ 281,934	\$ 72,174	\$ 37,832	\$ 42,333	\$ 134,958	\$ 144,946	\$ 1,028,105
2003	64,995	52,427	128,134	77,079	320,705	70,609	36,091	51,949	137,908	148,710	1,088,607
2004	74,134	54,715	136,896	82,543	345,251	69,861	26,588	54,720	147,055	154,003	1,145,766

*In 2002 the County adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and Local Governments". The County was not required to restate the prior year's accounting data.

COUNTY OF MILWAUKEE
GOVERNMENT-WIDE REVENUES*
(In Thousands)

<u>Year</u>	<u>PROGRAM REVENUES</u>				<u>GENERAL REVENUES</u>				<u>Gain on Sale of Capital Assets</u>	<u>Total</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Investment Income</u>	<u>Intergovernmental Revenue</u>	<u>Non-Specific</u>		
2002	\$ 283,515	\$ 340,068	\$ 25,453	\$ 220,702	\$ 58,122	\$ 16,656	\$ 65,305	\$ 735	\$ 31,901	\$ 1,042,457
2003	325,367	342,252	19,345	221,265	59,788	11,079	74,590	156	42,609	1,096,451
2004	367,919	384,952	39,702	220,612	60,498	4,444	40,472	725	26,654	1,145,978

*In 2002 the County adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and Local Governments". The County was not required to restate the prior years accounting data.

**COUNTY OF MILWAUKEE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ****

LAST TEN FISCAL YEARS
(In Thousands)

<u>Year</u>	<u>Legislative and General Governmental Services</u>	<u>Courts and Judiciary</u>	<u>Public Safety</u>	<u>Public Works and Highways</u>	<u>Human Services</u>	<u>Parks Recreation and Culture</u>	<u>Interest and Other</u>	<u>Total</u>
1995	\$ 34,875	\$ 39,458	\$ 72,252	\$ 17,521	\$ 287,634	\$ 38,464	\$ 13,584	\$ 503,788
1996	36,529	40,478	81,732	18,240	294,614	39,821	3,477	514,891
1997	26,166	28,761	68,819	19,384	297,464	47,769	51,444	539,807
1998	26,982	30,934	77,424	23,293	330,208	47,919	44,413	581,173
1999	30,033	32,851	87,136	24,371	308,095	49,791	42,621	574,898
2000	33,095	35,360	97,851	10,441	279,878	52,251	48,299	557,175
2001	36,844	39,753	100,006	10,370	261,461	53,095	52,278	553,807
2002	* 46,124 *	* 50,889 *	* 122,089 *	* 13,008 *	* 283,815 *	* 66,921 *	* 8,372 *	* 591,218
2003	* 46,032 *	* 52,862 *	* 126,758 *	* 13,489 *	* 322,013 *	* 65,749 *	* 6,759 *	* 633,662
2004	* 44,854 *	* 55,748 *	* 135,596 *	* 16,553 *	* 345,157 *	* 61,640 *	* 17,613 *	* 677,161

* Expenditures include fringe benefit allocation

** Includes the General Fund, only.

**COUNTY OF MILWAUKEE
GENERAL GOVERNMENTAL REVENUES BY SOURCE ***

LAST TEN FISCAL YEARS
(In Thousands)

<u>Year</u>	<u>Property Taxes</u>	<u>Sales Tax**</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeits</u>	<u>Interest on Investments and Rents</u>	<u>Inter- governmental</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total</u>
1995	\$ 157,234	\$ 43,676	\$ 337	\$ 2,750	\$ 11,404	\$ 306,393	\$ 40,735	\$ 10,951	\$ 573,480
1996	168,950	46,307	389	3,233	9,511	322,399	40,800	16,383	607,972
1997	179,754	53,546	462	3,902	11,783	343,770	62,438	9,876	665,531
1998	189,999	52,043	459	4,139	12,727	378,603	56,659	10,080	704,709
1999	195,751	55,675	471	4,007	9,317	372,417	58,196	14,618	710,452
2000	198,485	55,772	464	3,692	20,111	318,575	59,758	32,726	689,583
2001	209,178	57,941	440	3,660	18,933	274,646	88,602	39,144	692,544
2002	220,430	55,450	399	3,276	14,390	251,202	132,324	24,756	702,227
2003	221,265	57,115	413	2,909	9,789	266,101	157,025	26,309	740,926
2004	220,612	58,834	443	3,129	6,974	276,179	180,925	26,133	773,229

* Includes the General Fund, only.

** A Sales Tax for Milwaukee County was implemented April 1, 1991.

**COUNTY OF MILWAUKEE
PROPERTY TAX LEVIES**

LAST TEN FISCAL YEARS

(In Thousands)

<u>Year</u>	<u>General County Purposes*</u>	<u>State Forestry Tax</u>	<u>Other</u>	<u>Total</u>
1995	\$ 156,315	\$ 6,010	\$ 736	\$ 163,061
1996	167,859	6,290	653	174,802
1997	179,307	6,456	681	186,444
1998	188,946	6,688	690	196,324
1999	194,206	6,984	713	201,903
2000	206,729	7,646	765	215,140
2001	218,735	8,355	861	227,951
2002	219,494	8,856	875	229,225
2003	219,437	9,453	868	229,758
2004	225,884	10,231	893	237,008

* Does not include Southeastern Wisconsin Regional Planning Commission (SEWRPC) taxes collected by the County.

**COUNTY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS**

LAST TEN FISCAL YEARS

(In Thousands)

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Total Tax Collections to Total Tax Levy</u>	<u>Percent of Delinquent Taxes to Total Tax Levy</u>
1995	\$ 157,234	\$ 154,764	98.4%	\$ 9,322	\$ 164,086	\$ 5,750	104.4%	3.7%
1996	168,950	166,632	98.6%	4,968	171,600	6,585	101.6%	3.9%
1997	179,971	178,268	99.1%	4,246	182,514	7,107	101.4%	3.9%
1998	189,627	188,130	99.2%	4,852	192,982	7,280	101.8%	3.8%
1999	194,912	193,200	99.1%	5,313	198,513	8,183	101.8%	4.2%
2000	196,723	195,158	99.2%	6,375	201,533	8,471	102.4%	4.3%
2001	207,469	205,443	99.0%	8,138	213,581	7,683	102.9%	3.7%
2002	219,596	217,329	99.0%	7,394	224,723	8,615	102.3%	3.9%
2003	220,334	198,431	90.1%	7,658	206,089	8,148	93.5%	3.7%
2004	226,721	221,804	97.8%	7,778	229,582	8,316	101.3%	3.7%

**COUNTY OF MILWAUKEE
EQUALIZED VALUE OF TAXABLE PROPERTY***

LAST TEN FISCAL YEARS

(In Thousands)

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1995	\$ 29,480,675	\$ 1,969,240	\$ 31,449,915
1996	30,368,359	1,909,456	32,277,815
1997	31,450,790	1,991,328	33,442,118
1998	32,784,096	2,138,022	34,922,118
1999	34,866,296	1,538,755 **	36,405,051
2000	36,544,713	1,685,616	38,230,329
2001	39,961,380	1,812,732	41,774,112
2002	42,586,834	1,692,790	44,279,624
2003	45,617,895	1,648,770	47,266,665
2004	49,624,948	1,528,412	51,153,360

* Due to varying assessment policies in the municipalities of the County, the County uses equalized value of taxable property for tax levy purposes.

** Decline in 1999 is from computer equipment no longer being taxed as personal property.

**COUNTY OF MILWAUKEE
PROPERTY TAX RATES PER \$1,000 EQUALIZED VALUE***

LAST TEN FISCAL YEARS

<u>Year</u>	<u>General County Purposes</u>	<u>State Forestry and SEWRPC Tax</u>	<u>Total</u>
1995	5.27	0.23	5.50
1996	5.39	0.22	5.61
1997	5.62	0.22	5.84
1998	5.71	0.22	5.93
1999	5.64	0.22	5.86
2000	5.47	0.22	5.69
2001	5.52	0.22	5.74
2002	5.36	0.22	5.58
2003	5.07	0.22	5.29
2004	4.76	0.22	4.98

* The above property tax rates represent the average rate applicable to the County as a whole. The County tax rate applicable to any single municipality within the County is based on that municipality's assessed valuation.

**COUNTY OF MILWAUKEE
PRINCIPAL TAXPAYERS**

DECEMBER 31, 2004

(In Thousands)

<u>Company</u>	<u>Type of Business</u>	<u>Full Market Value</u>	<u>Percent of County Equalized Value</u>
Mayfair Property Inc.	Shopping mall	\$ 248,425	0.49%
US Bank Corp	Banking	235,871	0.46%
Northwestern Mutual Life Insurance Co.	Insurance	224,695	0.44%
Teachers Insurance and Annuity	Insurance	141,886	0.28%
Harley-Davidson	Mfg, Motorcycles	133,898	0.26%
Covenant Health Care	Real Estate	133,510	0.26%
M & I Marshall & Ilsley Bank	Banking	125,586	0.25%
Metropolitan Associates	Real estate development	107,644	0.21%
Towne Realty	Real estate development	103,766	0.20%
BRE Southridge Mall LLC	Real estate development	97,542	0.19%
Marcus Corporation, ET AL (Milwaukee City Center/Pfister)	Hotels, theaters and restaurants	96,770	0.19%
Miller Brewing Company	Mfg, beer and aluminum containers	74,066	0.14%
Great Lakes Reit LLP	Real estate development	65,716	0.13%
100 E. Wisconsin Avenue Joint Venture	Real estate development	58,825	0.11%
Centerpoint Properties	Real estate development	54,789	0.11%
Opus Real Estate	Real estate development	51,311	0.10%
American Stores Property Inc. (Jewel-Osco)	Retail food stores	49,270	0.10%
Flanders Westborough	Real estate development	48,030	0.09%
Johnson Controls Inc.	Mfg, automotive batteries and seating, building controls and plastic containers	48,022	0.09%
Liberty Property Limited	Real estate development	47,800	0.09%
Corrigan Properties	Real estate development	45,252	0.09%
Occidental	Real estate development	45,167	0.09%
Dayton-Hudson (Marshall Field's Target)	Retail department stores	43,759	0.09%
Anthony A. Palermo	Real estate development	43,249	0.08%
Journal/ Sentinel Inc	Publishing, printing and broadcasting	43,243	0.08%
Banc One Wisconsin Corporation	Banking	42,464	0.08%
Time Warner	Cable company	40,573	0.08%
Boulder Venture	Real estate development	38,998	0.08%
Rockwell Automation	Mfg, electrical/electronic products	38,710	0.08%
Federal Plaza Association	Real estate development	35,549	0.07%
Delphi Automotive (Delco)	Mfg, automotive electronics	28,771	0.06%
Briggs & Stratton Corp.	Mfg, small engines, automotive locks and keys	28,227	0.06%
P.P.G. Industries Inc.	Mfg, coatings and resins	21,930	0.04%
GE Medical Systems	Mfg, medical equipment	20,548	0.04%
Quad/Graphics Inc.	Printing	19,988	0.04%
Patrick Cudahy	Mfg, processed meats	15,793	0.03%
Centerpoint Properties	Real estate development	15,437	0.03%
Hondo Incorporated	Mfg, beverage containers and bottling of beverages	14,029	0.03%
Tower Automotive	Mfg, automobile and truck frames	13,660	0.03%
Brady Worldwide Inc	Mfg, safety and facility identification	13,215	0.03%
Total		\$ 2,755,984	4.91%

**COUNTY OF MILWAUKEE
COMPUTATION OF LEGAL DEBT MARGIN**

DECEMBER 31, 2004

(In Thousands)

2004 Equalized Valuation as Determined by the Supervisor of Assessments of the Wisconsin Department of Revenue	\$51,153,360
Debt Limit Rate	<u>5%</u>
Debt Limit	2,557,668
Bonds and Notes Outstanding:	
Milwaukee County General Obligation Bonds and Notes	<u>(488,901) *</u>
Legal Debt Margin	<u>\$ 2,068,767</u>

* Note: General Obligation Bonds, as reported in Note 8 of Notes to the Financial Statements, includes the 1993, 1995 - 2003 Bonds and Bond Unamortized Refinancing losses of \$ 6,432.

COUNTY OF MILWAUKEE
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO EQUALIZED VALUATION
AND GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population*</u>	<u>Equalized Value*</u>	<u>Bonded Debt*</u>	<u>Percent of Debt to Equalized Value</u>	<u>Bonded Debt Per Capita</u>
1995	965	\$ 31,449,915	\$ 475,955	1.51%	\$ 493
1996	964	32,277,815	479,856	1.49%	498
1997	958	33,442,118	483,946	1.45%	505
1998	957	34,922,118	489,928	1.40%	512
1999	957	36,405,051	497,028	1.37%	519
2000	955	38,230,329	495,766	1.30%	519
2001	940	41,774,112	490,578	1.17%	522
2002	941	44,279,624	489,152	1.10%	520
2003	941	47,266,665	468,897	0.99%	498
2004	939	51,153,360	488,901	0.96%	521

* Amounts expressed in thousands.

The population is based on Wisconsin Department of Administration estimates except for 2000 which is based on the United States census.

**COUNTY OF MILWAUKEE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL EXPENDITURES**

**LAST TEN FISCAL YEARS
(In Thousands)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service to General Expenditures</u>
1995	\$ 19,710	\$ 13,533	\$ 33,243	\$ 503,086	6.6%
1996	32,158	18,873	51,031	514,239	9.9%
1997	33,801	19,041	52,842	537,792	9.8%
1998	34,561	19,557	54,118	580,573	9.3%
1999	32,431	18,722	51,153	574,299	8.9%
2000	34,374	18,833	53,207	556,542	9.6%
2001	36,150	19,199	55,349	551,858	10.0%
2002	26,733	16,570	43,303	591,218	7.3%
2003	35,826	18,267	54,093	633,662	8.5%
2004	20,132	16,035	36,167	677,161	5.3%

COUNTY OF MILWAUKEE
DIRECT AND OVERLAPPING BONDED DEBT - GENERAL OBLIGATION BONDS
DECEMBER 31, 2004
(In Thousands)

	<u>Net Debt Outstanding</u>	<u>Percent Applicable to County</u>	<u>Amount Applicable to County</u>
<u>Direct</u>			
County of Milwaukee	\$488,901	100.0%	\$488,901
<u>Overlapping</u>			
<u>Villages</u>			
Bayside	10,835	96.1%	10,411
Brown Deer	9,843	100.0%	9,844
Fox Point	9,665	100.0%	9,665
Greendale	6,950	100.0%	6,950
Hales Corners	4,650	100.0%	4,650
River Hills	1,868	100.0%	1,868
Shorewood	17,074	100.0%	17,074
West Milwaukee	450	100.0%	450
Whitefish Bay	17,780	100.0%	17,780
<u>Cities</u>			
Cudahy	29,696	100.0%	29,696
Franklin	24,800	100.0%	24,800
Glendale	32,516	100.0%	32,516
Greenfield	7,121	100.0%	7,121
Milwaukee	551,045	100.0%	551,021
Oak Creek	15,755	100.0%	15,755
St. Francis	465	100.0%	465
South Milwaukee	22,000	100.0%	22,000
Wauwatosa	22,717	100.0%	22,717
West Allis	67,642	100.0%	67,642
<u>School Districts</u>			
Brown Deer	5,294	100.0%	5,294
Cudahy	20,315	100.0%	20,315
Foxpoint/Bayside	1,625	98.6%	1,602
Franklin	24,505	100.0%	24,505
Glendale-River Hills	400	100.0%	400
Greendale	1,240	100.0%	1,240
Greenfield	12,170	100.0%	12,170
Maple Dale/Indian Hill	1,575	100.0%	1,575
Milwaukee	121,598	99.9%	121,485
Milwaukee Area Technical College	73,105	81.4%	59,510
Nicolet High School	0	0.0%	0
Oak Creek/Franklin	33,385	100.0%	33,385
St. Francis	5,533	100.0%	5,533
Shorewood	7,150	100.0%	7,150
South Milwaukee	51,010	100.0%	51,010
Wauwatosa	11,189	100.0%	11,189
West Allis/West Milwaukee	13,625	95.9%	13,066
Whitefish Bay	6,530	100.0%	6,530
Whitnall	9,694	100.0%	9,694
Metropolitan Sewerage District	<u>692,618</u>	99.9%	<u>692,009</u>
Total Overlapping Debt	<u>1,945,433</u>	99.2%	<u>1,930,087</u>
<u>TOTAL</u>	<u>\$ 2,434,334</u>	99.4%	<u>\$ 2,418,988</u>

**COUNTY OF MILWAUKEE
DEMOGRAPHIC STATISTICS**

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population*</u>	<u>Effective Buying Income Per Capita</u>	<u>Effective Buying Income Per Capita In Base \$</u>	<u>Percent High School Graduates</u>	<u>Percent Unemployment**</u>
1995	965,257	\$ 15,792 (a)	\$ 10,458 (b)	88.6% (c)	4.0%
1996	963,903	15,321 (a)	9,904 (b)	N/A	4.1%
1997	958,408	16,815 (a)	10,662 (b)	N/A	4.1%
1998	957,058	17,121 (a)	10,680 (b)	N/A	4.0%
1999	956,688	N/A	N/A	N/A	3.8%
2000	955,026	N/A	N/A	87.8% (c)	4.7%
2001	939,919	N/A	N/A	78.0% (c)	5.6%
2002	941,091	N/A	N/A	72.9% (c)	7.0%
2003	941,301	N/A	N/A	N/A	7.3%
2004	939,358	N/A	N/A	N/A	6.4%

* Department of Administration, State of Wisconsin/U.S. Census.

** State of Wisconsin, Department of Workforce Development, Bureau of Research and Statistics.

(a) Effective Buying Income per Capita, (Total EBI/Population) Sales and Marketing Management, Survey of Buying Power. Beginning in 1988, the Effective Buying Income variable excluded non-cash income items, which were previously included in this statistic. Sales and Marketing Management estimates that this reclassification reduces total national income by approximately 11 percent. No information is available for Milwaukee County. This change should be considered when comparing Effective Buying Income Per Capita from 1988 to 1991 due to the incorporation of the 1990 census data. This benchmarking makes it impossible to make meaningful comparisons between 1991 information and information published for prior years.

(b) Effective Buying Income Per Capita is base year dollars, (Total EBI (adjusted for inflation) /Population). Base year dollars (1980) Fiscal Trends, Milwaukee County.

(c) Per Wisconsin Department of Public Instruction. Information does not include private school graduates.

**COUNTY OF MILWAUKEE
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**

LAST TEN FISCAL YEARS

<u>Year</u>	<u>PROPERTY VALUE (1) *</u>				<u>COMMERCIAL CONSTRUCTION (2)</u>		<u>RESIDENTIAL CONSTRUCTION (2)</u>		<u>Bank Deposits (3) *</u>
	<u>Non- Residential</u>	<u>Residential</u>	<u>Exemptions</u>	<u>Total</u>	<u>No. of Permits</u>	<u>Value*</u>	<u>No. of Units</u>	<u>Value*</u>	
1995	\$ 11,512,164	\$ 19,937,750	\$ 316,766	\$ 31,133,148	175	\$ 109,740	960	\$ 112,672	\$ 11,886,793
1996	11,715,089	20,562,725	384,323	31,893,491	203	110,766	1,414	165,590	16,078,879
1997	12,103,833	21,338,285	374,337	33,067,781	292	133,524	1,580	140,352	18,029,348
1998	12,890,071	22,032,047	482,107	34,440,011	223	127,430	1,830	170,090	20,947,260
1999	13,053,491	23,351,560	598,008	37,003,059	359	219,270	1,094	88,326	14,931,834
2000	13,571,130	24,659,199	758,208	37,472,121	537	167,946	2,099	164,015	18,083,514
2001	14,833,850	26,940,262	967,915	40,806,197	NA	NA	NA	NA	26,083,397 (4)
2002	15,338,727	28,940,897	962,958	43,316,666	NA	NA	NA	NA	25,385,979 (4)
2003	16,100,336	31,166,329	1,153,286	46,113,380	NA	NA	NA	NA	28,053,510 (4)
2004	17,139,290	34,014,070	1,367,695	49,785,665	NA	NA	NA	NA	30,917,059 (4)

* Amount expressed in thousands.

(1) Source: Wisconsin Department of Revenue, Statistical Report of Property Valuations.

(2) Source: State of Wisconsin, Record of Building Permits Issued. In 2001, the State stop collecting the information for the commercial and residential construction

(3) Source: The Business Journal.

(4) Source: State of Wisconsin, Department of Financial Institutions

**COUNTY OF MILWAUKEE
MISCELLANEOUS STATISTICAL DATA
DECEMBER 31, 2004**

Date of Incorporation	1835
Form of Government	County Board - County Executive
Area in Square Miles	242
All Motor Vehicles (Registered)	646,403
Dwelling Units (Occupied)	377,729
Miles of State Freeways and Highways Served	373
<u>Recreation</u>	
Parks/Parkways	150
Acreage	14,938
Golf Courses	14
<u>Education - Number of Schools (Four-County Area)</u>	
Public Elementary	318
Public Junior and Senior High	177
Public K-12 Combination Schools	18
Private Elementary	239
Private Junior and Senior High	30
Private K-12 Combination Schools	46
Colleges and Universities	20
<u>General Mitchell International Airport</u>	
Number of Passengers Served	6,661,105
Number of Carriers - Commercial	12
Number of Runways	5
Acreage	2,386
Daily Departures/Arrivals	460
<u>Public Library</u>	
Cardholders	525,420
Circulation	8,214,286
Volumes	4,754,600
<u>Correction Facilities</u>	
House of Correction Capacity	2,400
Criminal Justice Facility	990
<u>County Employees</u>	
Regular - Full Time	4,956
Seasonal - Part Time	781